

LOG EXPORT RESTRICTIONS SAN FRANCISCO

HEARING BEFORE THE SUBCOMMITTEE ON INTERNATIONAL FINANCE OF THE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS UNITED STATES SENATE NINETY-THIRD CONGRESS

FIRST SESSION

ON

S. 1033

A BILL TO RESTRICT LOG EXPORTS FROM THE UNITED STATES

SAN FRANCISCO, CALIFORNIA

APRIL 13, 1973

Printed for the use of the
Committee on Banking, Housing and Urban Affairs



U.S. GOVERNMENT PRINTING OFFICE

94-353

WASHINGTON : 1973

S-241-21

41-21

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

JOHN SPARKMAN, Alabama, *Chairman*

WILLIAM PROXMIRE, Wisconsin

JOHN TOWER, Texas

HARRISON A. WILLIAMS, JR., New Jersey

WALLACE F. BENNETT, Utah

THOMAS J. MCINTYRE, New Hampshire

EDWARD W. BROOKE, Massachusetts

ALAN CRANSTON, California

BOB PACKWOOD, Oregon

ADLAI E. STEPHENSON III, Illinois

BILL BROCK, Tennessee

J. BENNETT JOHNSTON, JR., Louisiana

ROBERT TAFT, JR., Ohio

WILLIAM D. HATHAWAY, Maine

LOWELL P. WEICKER, JR., Connecticut

JOSEPH R. BIDEN, JR., Delaware

DUDLEY L. O'NEAL, JR., *Staff Director and General Counsel*

MICHAEL E. BURNS, *Minority Counsel*

SUBCOMMITTEE ON INTERNATIONAL FINANCE

ADLAI E. STEPHENSON III, Illinois, *Chairman*

ALAN CRANSTON, California

BOB PACKWOOD, Oregon

WILLIAM D. HATHAWAY, Maine

BILL BROCK, Tennessee

JOSEPH R. BIDEN, JR., Delaware

ROBERT TAFT, JR., Ohio

(II)

CONTENTS

LIST OF WITNESSES

	Page
Barry Keene, State assemblyman, State of California.....	3
Richard Mansfield, legislative advocate, State Building and Construction Trades Council of California, accompanied by Sam Herrod, State Car- penters Union.....	9
Harry Bridges, president, International Longshoremen's and Warehouse- men's Union, accompanied by John Parks, regional director, Inter- national Longshoremen's and Warehousemen's Union (Northwest Chapter).....	13
John B. Clark, Jr., president, California Builders Council, accompanied by Dean Morrison, president of Morrison Homes; and Thurston A. Shinn, president, Building Industry Association of California.....	27
John O'Brian, Ken Hoffman Construction Co.....	38
Tom McNamara, president, McNamara and Peepe Lumber Co., Crescent City, Calif., accompanied by John Kelly, general manager, Bonnie Studs, Arcata, Calif., Mel McLean, owner of Eel River Sawmills, Fortuna, Calif., Fred Peirson, general manager, Standard Plywood Corp., Crescent City, Calif., and John Davenport, Western Forest Industries Associa- tion, California region.....	40
George A. Craig, executive vice president, Western Timber Association, accompanied by Dennis Hayward, Feather River Lumber Co., and C. W. Booth, secretary-treasurer, Carolina Pacific Plywood, Inc.....	55
Robert Gomperts, president, California Council on International Trade....	67
Gordon Robinson, staff forester, Sierra Club Headquarters.....	72
Donald Van Iderstine, Port of Stockton.....	90
Hugh Bannister, president, Association of Western Pulp and Paper Workers, Portland, Ore.....	93
John E. Cahill, Associated General Contractors of California.....	99
Issac Devone, Harbor Lumber Co., San Francisco.....	102

ADDITIONAL STATEMENTS AND DATA

Allocation of exempt volume under Morse amendment.....	111
American Federation of Labor and Congress of Industrial Organizations: Reprint of news release.....	26
Telegram from John F. Henning, executive secretary-treasurer.....	129
Brookings Plywood Corp., statement of Donald G. Baxter, general manager.....	105
Burns Lumber Co., letter from C. A. Woolard.....	111
California Legislature, letters from Ken Meade, assemblyman, 16th District.....	148
Comparison between 1971 and 1972 average stumpage prices in region 6..	109
Douglas-Fir Supply Study, paper published by the Forest Service, U.S. Department of Agriculture.....	76
Feather River Lumber Co., statement of R. Dennis Hayward.....	113
Forest Industries magazine, letter from Herbert G. Lambert, editor, with accompanying article.....	115
Hazeltine, William E., Ph. D., letter to Senator Cranston on the effects of the Douglas-fir Tussock Moth.....	124
Hi-Ridge Lumber Co., letter from Gerhart Bendix.....	127
Hubbard & Johnson Lumber Co., letter from James Webber, president..	128
Imports and exports table.....	109
Interior Committee, U.S. Senate, excerpt from hearings before Subcommit- tee on Public Lands.....	126
Log exports chart.....	131
Lumber Association of Southern California, statement of Wayne Gardner, executive vice president.....	129

IV

Moscone, George R., California State senator, statement received for the record.....	Page 112
National Forest Products Association, table and chart showing reduced timber supply from national forests.....	107
Oregon State, letter from Gov. Tom McCall.....	125
Pacific Gas & Electric Co., excerpt of letter.....	147
Placer County, Calif., letters and resolution received from Robert P. Mahan, chairman; also letter from L. J. Dewald, county counsel.....	131
Random lengths, reprints of tables of lumber prices.....	137
Recent data on Federal timber sales in the State of Washington.....	109
Rellim Redwood Co., letter from Darrell H. Schroeder, vice president.....	133
Research paper titled "Stratification of Forest Land for Timber Management Planning on the Western National Forests," from U.S. Forest Service.....	78
Sacramento, Calif., statement of Melvin Shore, port director.....	133
Sierra Club Bulletin, reprint of article titled "Our Export Forests".....	80
Singer Housing Co., letter from John Brooks, president, enclosing memorandum and newspaper article.....	135
Southeastern Lumber Manufacturers Association, letter from John C. Milliner, Jr., executive vice president.....	146
Stockton, Calif., letter from Richard A. Andersen, port director.....	91
Trailer Coach Association, statement and charts of Michael L. Zieman, assistant standards director.....	144
Wall Street Journal, reprint of article entitled "Fine-Tuning Japan".....	25
West Coast Forest Consultants, letter from Lynn M. Suter.....	146
Western Timber Association, letter from George A. Craig, executive vice president.....	148
Whalehead timber sale, Gifford Pinchot National Forest, March 28, 1973.....	119
Wickes Forest Industries, letter from Arthur C. Hall, general manager.....	149
Woodwork Institute of California, statement of Bernard B. Barber, Jr., executive secretary.....	150
Yuba River Lumber Co., represented by Robert Gates.....	64
Zionuska, John A., University of California, Berkeley.....	61

LOG EXPORT RESTRICTIONS

FRIDAY, APRIL 13, 1973

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS,
SUBCOMMITTEE ON INTERNATIONAL FINANCE,
San Francisco, Calif.

The subcommittee met, pursuant to notice, at 9:45 a.m. in the ceremonial courtroom, Federal Building, 450 Golden Gate Avenue, Senator Alan Cranston presiding.

Present: Senators Cranston and Packwood.

Senator CRANSTON. The hearing will please come to order.

This is a hearing of the Senate Committee on Banking, Housing and Urban Affairs on a measure that Senator Packwood and I have introduced, relating to the export of logs to Japan.

I'm delighted to welcome each of you to this session and delighted that Senator Packwood of Oregon is here for this hearing. He held a similar hearing in his own State a few days ago.

This is the third set of hearings on S. 1033, a bill to restrict log exports from the United States. I would like to very briefly summarize the developments concerning this legislation to this point.

On February 8, I joined Senator Packwood in calling on President Nixon and Secretary of Agriculture Earl Butz for an immediate 6-month halt on overseas shipments of softwood logs and lumber. On February 28, Senator Packwood and I introduced legislation to ban the export of logs from Federal lands, beginning January 1, 1974, and from private lands, beginning January 1, 1977.

Senator Packwood and I asked the administration for swift action to calm the present crisis atmosphere. We didn't get it. We didn't even get a reply to our telegram for more than a month.

Finally, on March 10, Peter M. Flanigan, the President's Assistant for International Economic Affairs, told me the matter was getting "priority attention" at the White House. Three days later, Secretary Butz told me it was under active review in the Department of Agriculture.

The Senate Banking Committee, launched an investigation into runaway inflation in the lumber industry, at the request of Senator Packwood and myself.

On March 26, the administration stated it was undertaking certain steps, but the steps did not seem to be steps that would really resolve the present situation with regard to the cost of lumber. What that means in the cost of homes, can be summarized by the following:

In the last 16 months, homebuilding costs have gone up \$4,000 on a \$37,000 home. A family earning \$14,000 could afford that house

today, but in a few months, due to the continuing rise in cost of construction, that house may be out of reach.

On the average \$24,000 house the National Association of Homebuilders estimates that within the last 6 months, lumber costs have added \$1,200 to its construction cost. In some areas, builders tell me it will go up another \$1,000 in the next 90 days. And each \$1,000 increase pushes an estimated 1.5 million people out of the market.

Under normal circumstances, these families, squeezed out by the high cost of conventional housing, could turn to subsidized units. But the President's January 5 moratorium on new commitments for subsidized units will curtail this supply, cutting these families off from alternative housing.

No one knows where prices will go from here or how rapidly they will change. This uncertainty is, of course, especially disturbing to those of you who are approaching the spring building season and are unable to estimate your costs.

The high cost of lumber is unquestionably tied closely to the accelerated pace of exports to Japan.

In the last 6 months, one-third of all the logs cut in the western part of the United States has gone to Japan, not to our domestic market.

Last year our timber exports amounted to almost 3 billion board feet. They are expected to go up 44 percent this year on top of a previous 40 percent increase in 1972 over 1971. Shipments to Japan, which buys nearly 91 percent of our total log exports, are expected to go up another 1.1 billion board feet in 1973, unless firm remedial action is taken. I do not believe, based upon the evidence we have received thus far—and I will be listening carefully to the statements of people with different viewpoints this morning—I do not believe we can afford to continue exporting logs, nor can we afford to lose the jobs required to process these logs into lumber. The fact is that either way we go there are some people's jobs that are threatened, whatever steps are taken or not taken. It appears to me that on balance, there are many more jobs being lost by the exports than are produced by the exports. But again, we want to hear about that today, as we seek to make up our minds on what the most effective steps to take might be.

The State Department advised me just now the Japanese Government is discussing what steps it may take to reduce the purchase of logs from our country. Such voluntary action may be part of one solution.

The Cost of Living Council, yesterday, completed its own study of the inflation occurring in the lumber and wood products industries. That study was undertaken only because of what Senator Packwood and I have been doing on this matter. The Cost of Living Council, sometime in the next 30 days, will report whatever action it chooses to take. So there is another place where action may be taken, apart from this legislation.

The issue, obviously, is very difficult and is very complex. It involves domestic priorities, the intricacies of international trade, inflation, questions of natural resources and the environment, and to my mind, the most critical of all, the stability of a major California and national industry.

The hearings will help shape whatever action Congress takes, of course.

The evidence we receive today will be considered by ourselves and by other members of the committee and of the Congress, as we determine what we can do to deal with this very, very serious problem confronting us.

Senator Packwood, do you wish to say anything before we proceed?

Senator PACKWOOD. A very brief statement, Alan.

It looks to me as if we are trying to consider four basic issues involved in log exports: (1), Is timber supply; Is there enough timber in the United States to take care of our domestic needs or is there not? If there is, can we get to it? (2), What is the effect of log exports on lumber prices. (3), What's the effect of log exports on jobs. How many jobs are lost, if we stop exports; how many jobs are gained by milling lumber here that is now being exported? (4), What's the effect, if we stop the export, on the Nation's balance of payments?

Those four issues, in my mind, have to be answered adequately before we consider going ahead with the legislation.

I would appreciate it if the witnesses would address themselves to these four specific topics during the course of their presentations.

Senator CRANSTON. As we now proceed to our first witness, I'd like to repeat something that we sought to communicate to each witness. Those of you who are witnesses, if you could possibly do your best to hold your prepared statement to a 5-minute summary of your basic thoughts, that would be very helpful to us. The give and take of questions on key points is, I believe, the most productive way for gathering information.

The full prepared statements that witnesses have brought to this hearing will go in the record, and will be studied by Senator Packwood, myself, our staff, and the staff of the committee and other Members of the Senate and the Congress. So all the information that you wish to present to us will get into the record and will be taken into account, as we consider where to go on this legislation or other approaches to the problem.

I am going to ask the witnesses certain questions. I have looked and my staff has looked at most of the prepared text already. It would be most helpful if you can verbally summarize your key points. Then Senator Packwood and I would like to pose some questions, in an effort to get further information.

Senator CRANSTON. Our first witness is Barry Keene, State assemblyman from the State of California.

Barry, we're delighted to have you with us today.

STATEMENT OF BARRY KEENE, STATE ASSEMBLYMAN, STATE OF CALIFORNIA

Mr. KEENE. Mr. Chairman, Senator Packwood, gentlemen.

You have a copy of my prepared statement, and I'll briefly summarize my position at this point, and certainly will attempt to respond to any questions which you may have along the lines that you've already outlined.

I am a representative in the California legislature, assemblyman. I'm the author of assembly joint resolution No. 9, which triggered a great deal of interest at the State level, a great deal of concern over log export, and the high cost of lumber and the high cost of timber.

We did, in that resolution, which passed in both houses, almost unanimously—I think there was one dissenting vote in each house—requested an embargo be imposed until the domestic supply of timber was assured.

I'm here in two capacities this morning. One is as an assemblyman, representing the California Legislature, with respect to that resolution. Therefore, I'm concerned, in general, with the high cost of lumber, because I believe that it will cause a halt, in some areas, at least, a drastic slowdown in the homebuilding industry. The price of lumber is putting new homes or expansion of buildings or repairs out of the reach of the consumer.

There are certainly others who will follow me, who will touch, in more detail, on that subject.

Also, the high cost of lumber is causing havoc in one of the Nation's largest industries—the construction industry—to the great detriment of workers in the building trades and their families, which there will be witnesses talking about that.

I'm also concerned, in a more direct way, because I represent one of the great softwood timber producing regions of the world, the redwood empire in the northern coast of California.

I won't belabor the statistics, but that north coastal subregion contains 42 percent of California's commercial timberlands, 7.2 million acres, and contains 46 percent of California's privately-owned commercial timberlands, 3.7 million acres. It contains 44 percent of the sawed timber volume remaining in California, 132 billion board feet. It supports 55 percent of the annual sawed timber cut in the State, 2.9 billion board feet. It employs 38 percent of the State's lumber and wood products industries employees, about 20,000. It contains 55 percent of the State's sawmill capacity, and suffers 62 percent of the State's unused sawmill capacity.

I am concerned about the jobs of the longshoremen who work in Humboldt Bay. There's about 100 or so jobs up there. But I don't think that overcutting the timber forests of the north coast is going to help a longshoreman, if there aren't any logs to load. It's certainly not going to help people in the other industries, who would be directly affected by this.

Let me talk, if I can, for a moment, about overcutting. We're talking about the overcutting of a resource that is in short supply, not only domestically, but worldwide.

The attractive market that these high prices have provided, particularly with the prices that the Japanese are willing to pay, has caused the timberland holder to cut and to harvest earlier than he is getting the yield in the limited resource. That resource means jobs in the economy to us on the west coast.

The prospect of this year or next year of severely increased assessments due to the increase price of timber will force many holders of private timberlands to cut, without even being able to consider the

interests in maintaining sustained yield, because of the additional taxes that they would otherwise have to pay.

We have an example of this sort of thing out in western Mendocino County. Louisiana Pacific, an offshoot of Georgia-Pacific, recently acquired the Boise Cascade holdings there. Those companies control over 50 percent of the commercial timber resources in Mendocino County.

Well, Louisiana Pacific has signed a contract to export 300 million board feet of logs over the next 4 years, to Japan.

In addition, they're presently negotiating to export an additional 400 million board feet over the next 7 years.

So you have 100 million feet per year for 7 years, 100 million feet of logs, which, if cut in American sawmills, would provide 1,000 to 1,500 primary jobs.

With unemployment in our counties, along the north coast, running from 8 to 18 percent, I think those jobs should stay at home. I think they must stay at home.

The unavailability of logs has other implications as well. It will cause many sawmills to close or at least curtail their operations.

Now, we have a fear that this will permanently affect the price of lumber in this country, by reducing the amount of competition.

It would jeopardize, as I mentioned, the jobs of some 50,000 workers in primary wood products.

But we're afraid, also, in addition to that, that there would be a permanent dislocation of these jobs, if aluminum and plastic substitute products become competitive with wood products now being used in construction.

Also, we would be denuding the land in one of the most remarkably beautiful forest areas in the world, affecting: fish, wildlife, increasing soil erosion, and flooding the few remaining wild rivers . . . utterly destroying the recreation potential of the area, which we're counting on in generations to come, from the giant redwoods of Humboldt and Del Norte Counties to the fir forests of Trinity and Siskiyou to the supposed cutout of the western Mendocino County coast that I've already referred to.

We're ruining a tax base in areas of chronically high unemployment. And I'm afraid we're going to produce along the north coast an "Appalachia West," with nobody to pay for the investments of schools and roads and sewers and hospitals and other investments. I think we will have created a rural slum out of a wonderland.

What I'm asking today—what I'm pleading with you today with respect to terminating these exports of logs—is that you not turn the north coast into a barren sea of stumps, which it is otherwise likely to become.

You're going to be met with opposition today that will suggest that exports are not a substantial factor. I don't believe that that is the case.

We know that Japan has a severe timber shortage, in view of Prime Minister Tanaka's announced intention of rebuilding the country with the proposed 1½ million new housing starts each year.

Japan has the economic power to resolve that problem that they have, if we open up our American forests to them, because they're holding large quantities of dollars.

We've been purchasing for a number of years now their automobiles, their bicycles, their motorcycles, their cameras, their transistor radios, and so forth.

Now, the percentage of logs—the percentage of the total cut that is being exported at this time in California may not be that great.

I ask you to consider the fact that Washington and Oregon is considerable and is increasing rapidly, and California is increasing rapidly.

Now, I don't think that the multiplier effect should be ignored. And by the multiplier effect, I mean the peculiar buying practices of the Japanese purchasers, at the present time.

I've talked to some of the owners up and down the district about this. They are so eager to secure that long-range contract. They are not paying \$1 above the going price, which is what the ordinary economists would predict, but they're often paying three times what the going price is. So the American builder simply cannot compete, and this has had an enormous effect on prices.

I'd like to conclude with just two points.

One is that it is inconceivable to me—it is inconceivable that a nation would continue to export a resource in short supply domestically and, frankly, endangered of being lost for the indefinite future.

Now, if we have an excess of that resource, then certainly, exportation is in order. When it is in short supply, it seems to me it would not be.

Also, I guess, we have kind of a local or provincial resentment, which is this: We on the north coast resent having our region treated as an underdeveloped nation, in respect to Japan, and our resources being held ransom, because of a national balance of payments problem.

I thank you very much for the opportunity of being able to testify before you this morning. I hope I've helped to throw some light on the problem.

SEATOR CRANSTON. Thank you very much, you have. And I appreciate your brevity and directness.

What action is the State legislature taking on this matter?

MR. KEENE. In addition to the resolution, the State legislature has held hearings, and Senator Moscone held hearings that concerned largely with the problem of employment. Assemblyman Z'Berg held hearings concerned with the same question, from the standpoint of natural resources and the necessity of preserving them. The result was largely frustration.

One legislative measure was introduced which would permit the export of raw lumber from State forests. But of course, we don't have very much of that. Most of it is privately owned timberland or the national forests.

So the main result of the State hearings was one of frustration.

We feel we must come to the Federal Government for a solution.

SEATOR CRANSTON. You stated that 1,000 to 1,500 jobs are lost for every 100 million board feet of lumber which is processed overseas rather than in the United States.

If the United States does, in fact, export 5 billion board feet of logs during this year, as you indicate in your testimony, that would then mean, according to your figures, that 50,000 to 75,000 direct jobs in

lumber mills would be lost. Do you believe that we could save those jobs by embargoing the export of raw logs, but permitting the export of manufactured lumber?

Mr. KEENE. I don't believe that that measure would be adequate. I believe that it would be a step in the right direction, but I believe that there would be continuing pressure on the processed wood products that would keep the price at a fairly high level.

Senator CRANSTON. How many jobs in your assembly district have been lost because of the high price of lumber, resulting from Japanese purchases?

Mr. KEENE. It's a bit difficult to pin down at this time. We do know that the mills have cut back on their shifts. And I believe one or two mills in the area are on the brink of closing, at the present time. Some of the mill owners will be testifying, and they can probably give you better statistics on this.

Senator CRANSTON. Is the net effect of what you were describing in terms of the Japanese purchasers and their seeming unconcern about the price they're paying, that they establish the market price for the logs by bidding up the price beyond what Americans can afford and buy?

Mr. KEENE. That's correct, Senator. As we see it, it's one of the most peculiar and idiosyncratic conditions imaginable. It's very difficult to imagine, but when you talk to the mill owners—the sawmill owners, this is exactly what's happening. They're unable to outbid the Japanese. And the Japanese are simply willing to bid twice or three times as much to secure a contract.

Senator CRANSTON. Thank you very much, Barry.

Bob?

Senator PACKWOOD. You very adequately portrayed the problems in your district that we find in Oregon and Washington 5 and 10 times over. Thank you very much.

Mr. KEENE. Thank you.

[Complete statement of Mr. Keene follows:]

STATEMENT OF ASSEMBLYMAN BARRY KEENE, CALIFORNIA STATE ASSEMBLY

Mr. Chairman, I am Barry Keene. I am a member of the California State Assembly. I represent the Redwood Region of California. Two of the counties in my district, Humboldt and Mendocino, are among the great timber producing counties in the United States.

Your hearing here today is most timely. I appreciate the opportunity to present my views on the problem of log exports as it relates to my district, which I think is typical of timber producing areas along the Pacific Coast.

I recently introduced a resolution in the legislature memorializing the President to use his powers under the export control act to place an embargo on the export of raw logs in order to give American sawmills, lumber workers, homebuilders and the construction trades some relief from shortages of lumber and from the ruinous rise in log and lumber prices that has occurred over the past four months. My resolution was approved overwhelming'y.

I recently attended two hearings on log exports in Sacramento conducted by State Senator George Moscone and Assemblyman Edwin Z'Berg. Witnesses at both hearings documented the magnitude of the problem. It is clear that if relief is to be had, it must come from you gentlemen and the congress.

Your subject today is enormously complex, but if some equitable long-range solution to the log export problem is not found, the counties and cities, the sawmills and lumber workers in my district and the homebuilding industry and the construction workers throughout California face almost certain long-term disaster.

In the past the export of raw logs has been mainly from the State of Washington and, to a lesser degree, from Oregon. Last year approximately three billion feet of raw logs were exported to Japan. This equals between four and five billion feet of finished lumber. This year I am told Japan plans to purchase between four and five billion feet of raw logs. Japanese Prime Minister Tanaka has announced as a national goal the complete rebuilding of Japan, including nearly two million houses per year. With twice the population of Japan, our housing starts are projected at slightly over two million.

I need not elaborate on the housing needs of our own people, particularly in the cities and in some rural areas where the homes, if indeed they can be called such, are a national disgrace.

It is a simple question: Are our people going to have decent houses at prices they can afford? Or, are the Japanese going to buy the logs, close down our sawmills, put our workers on welfare, and bankrupt our cities and counties in timber growing areas?

Although log exports in 1972 accounted for only two percent of California's timber cut, this in itself is not significant. First, lumber prices reflect the national market not just a California market. Second, log exports exert an enormous influence on prices when combined with peculiar and extraordinary buying habits. When a buyer pays triple the going price for logs, that buyer establishes the price. Third, exports may well approach ten percent of California's cut this year.

But the real problem and the real danger lie in the potential for expansion as nearly 60 percent of California's timberlands are privately owned.

As Washington's and Oregon's supply of logs are put under contract to the Japanese, the exporters must come to California—as indeed they now are doing.

Log prices have doubled and sometimes tripled in the past four months. Lumber prices have necessarily reflected this increase.

Homebuyers are being priced out of the market. If lumber sales slow down because of the high prices, the owners of trees and logs will turn to the export market. Assessments on trees and logs will inevitably reflect these high prices in this year's tax bills, thus adding fuel to the inflationary fires. The only way to avoid paying these taxes is to cut down the trees. The pressure to overcut on both the large timberland owner and the rancher with small holdings will be enormous. This will be an intolerable climate for a timber producing area trying to maintain its economy on a sustained timber yield basis.

An example of this sort of thing is already at hand. Louisiana Pacific, offshoot of Georgia Pacific, recently acquired the Boise Cascade holdings in Mendocino County. Together these two companies control over 50 percent of the commercial timber resources in Mendocino County. Louisiana Pacific has signed a contract to export 300 million board feet of logs over the next four years to Japan. In addition they are presently negotiating to export an additional 400 million feet over the next seven years.

This is 100 million feet per year for seven years. 100 million feet of logs, if cut in American sawmills, would provide 1,000 to 1,500 primary jobs. With unemployment in our counties running from 8 to 18 percent, I think those jobs should stay at home.

Mr. Chairman, I must tell you that if the export of raw logs is allowed to continue and run its course, my district will become a sea of stumps.

We will have created a rural slum out of a wonderland.

If these exports continue and our resource base is shipped away, who will be left to pay for the investments in schools, streets, hospitals, sewers and the other investments in the public sector, not to mention the homes which represent the life savings of workers without jobs?

Mr. Chairman, I support your bill to phase out all log exports. I firmly believe that some control should be placed on lumber exports also because I see continuing worldwide shortage of softwoods upon which our vital homebuilding industry is based.

In addition, the phase-out quotas in your bill should be assigned to customs districts and ports based on historical patterns of exports. Otherwise, if 350 million board feet of Federal timber is shut off in Washington and Oregon, the exporters will come to California to pick up that volume from private timberlands. Thank you.

Senator CRANSTON. Our next witnesses are Richard Mansfield, legislative advocate, State Building and Construction Trades Council of California, and Sam Herrod of the State Carpenters Union.

We welcome you.

Mr. MANSFIELD. Thank you very much.

Senator CRANSTON. Did you have prepared statements?

Mr. MANSFIELD. Yes, Senator, I submitted it to this committee this morning.

**STATEMENT OF RICHARD MANSFIELD, LEGISLATIVE ADVOCATE,
STATE BUILDING AND CONSTRUCTION TRADES COUNCIL OF CALI-
FORNIA, AND SAM HERROD, STATE CARPENTERS UNION**

Mr. MANSFIELD. Mr. Chairman and Senator Packwood, my name is Richard W. Mansfield. I represent the State Building and Construction Trades Council. My primary job with that council is legislative advocate for the California State Legislature.

Recently, or just this week, you held hearings in Portland, Oreg., at which time the Western Council of Lumber, Production and Industrial Workers, AFL-CIO, which is an affiliate of the United Brotherhood of Carpenters and Joiners of America, submitted to you a very well-prepared brief, which deals quite completely with the complexities of the problems of the milling of lumber in respect to specie and demand. And it dealt quite thoroughly with the problem of exportation of logs to Japan, the high price of the present log market. And at this time, we want to be on record that we fully support that brief. We participated in drafting this brief at their Western Conference several weeks ago.

We are in full support of Senate bill 1033. And we are also in full support of their recommended amendments that the capital gains tax be depleted upon the exportation of logs, also the depletion allowance be depleted.

I would like to direct my comments now more directly to what we feel will be the ultimate effect to the construction industry in this State and the wood products industry, if something isn't done, and done very soon, to turn around this problem of the exportation of logs, in particular, the runaway price of finished lumber.

First, about the only lumber that is being milled right now in this State and also in the Northwest, is dimensional lumber. All other species of trees that would be milled, for example, let's say, into finished lumber, which would be used in doors and so forth, is not being milled, and will soon be in very short supply and drive the price even higher than what it is now.

There are 400,000 building tradesmen in the State of California, that are directly tied to the lumber industry for their jobs. And if you equate the 55,000 primary jobs that are going to be lost, if the present trend continues this year, if you wanted to relate that to jobs taken into consideration that when the log is cut and goes through the mill and it's finally fabricated into a finished product, whether it's a clothes hamper or whether it's in a home or whatever it might be, we're talking in far excess of a million jobs technically being exported to Japan each year. We think that this trend must be

reversed. And if it isn't reversed, the whole milling industry, certainly in this State, will come to practically a standstill. We're going to have far more building tradesmen out of work than some of the crafts. Right now we are running as high as 36 percent unemployed in some areas. We're going to have mills shut down in this State. And certainly, California will go through a very, very serious depressed period.

We think that this would not only apply in California, but it will apply in the whole Northwest. And it could have a drastic effect nationwide.

I also want to touch very briefly upon one other point. Right now in Orange County and in the Bay Area builders are experimenting with using metal studs, aluminum studs, steel studs. In some instances, they have gone to metal trusses.

Certainly, where you are using a material that is mined, demands a tremendous amount of energy to refine that material into a finished product.

This certainly isn't in the best interest of those who are concerned about the environment.

Lumber is a bio-degradable product, it's a replaceable product. And it is certainly very valuable natural resource, a natural resource that we should guard.

I don't think that this country is in a position to completely disregard our domestic needs and sacrifice those needs just to make a high profit off of exporting logs to Japan.

We'd be very happy to answer any questions.

Senator CRANSTON. Did you wish to speak, also, Sam?

Mr. HERROD. I would like to make a short statement, Mr. Chairman.

I would like to tell you that I've been involved in the labor movement around this area since 1933. I've always felt myself fighting on the side of the longshoremen and respected them. Their efforts, in the early years, inspired me to become involved in organizing. I have respected their leadership down through the years. There's never been any corruption in that organization, as far as I know. I think we're talking about jobs.

Basically, jobs, of course, are vital to all of us. We in the building trades know what it is to be out of work, because the average carpenter now works about 7 months out of the year. We have learned by experience that when the building industry goes on the rocks, the economy goes on the rocks. We're all going to lose. If the building industry and construction industry fails, you'll find that business is failing, people out of jobs everywhere.

We're speaking about hundreds of thousands of jobs, so far as the building trades is concerned.

The carpenters in California adopted a resolution, calling for action on the banning of shipments of logs out of this country. The number of carpenters involved represent more than 100,000 in California, who have adopted this resolution.

We have sent copies of this pretty well throughout the land. We have had no reply objecting to the resolution. We have had many numerous replies concurring to the resolution.

Mr. Chairman, I'd like to state that back in 1963, an \$18,000 house was somewhat the average, now it's \$28,000.

I'd like to state further that I talked with contractors from day to day—I'm a business agent out in the field—and they tell me that they almost have to check the prices of lumber daily in order to bid a job.

We find ourselves in a very strange position where we—the carpenters and building tradesmen—have to join with management when we'd rather be fighting with the longshoremen to gain their ends. But there's more than just jobs involved in this.

There are lots of people in this country who need houses, and they can't buy houses at the prices they're going for now.

One of the main reasons for the houses increasing so much is because the price of lumber having risen suddenly.

We've been told by people who make studies of this that for every \$1,000 increase in the price of a house, we are eliminating more than 100,000 possible homebuyers from the market.

So I think this gives some indication as to what's happening in the construction industry, in the homebuying market.

The indications are that for the next several years the prices of homes will increase from 8 to 10 percent year after year.

With that, Mr. Chairman, I'll conclude. Thank you.

Senator CRANSTON. Thank you both, very much.

Bob, do you want to proceed first this time?

Senator PACKWOOD. I have no questions.

Senator CRANSTON. Did you use the figure 55,000 primary jobs lost?

Mr. MANSFIELD. Yes.

Senator CRANSTON. What were you speaking of, specifically?

Mr. MANSFIELD. Senator, relating 55,000 primary jobs lost if we export around 4½ to 5 billion board feet of logs to Japan this year. This would be primary jobs.

Senator CRANSTON. Are you talking construction jobs in California?

Mr. MANSFIELD. No. No, I'm talking mill jobs.

Senator CRANSTON. What is happening now in construction jobs in the building trades?

Mr. MANSFIELD. Right now, I don't believe that the full impact of the high cost of lumber has been felt in the homebuilding industry. But every time—as Sam testified—every time you raise the price of a home you eliminate a number of thousands of people from your homebuying market. The first thing you're going to have—and I think it will occur—is you're going to have a complete collapse, in this State anyway, in the homebuilding field. And naturally, of course, you're going to drive your cost of commercial construction way up. And as a result of this, I anticipate that we will probably lose 80,000 or 90,000 jobs directly in the building trades industry.

But when you take into consideration the processing of 4½ billion board feet of lumber into a lumber product, regardless of whatever it might be, I think you're talking about close to a million jobs that you're exporting to Japan.

Senator CRANSTON. Thank you.

Mr. MANSFIELD. It's really hard to evaluate exactly what the effect will be, but we estimate about 80,000 jobs in the building trades, if the homebuilding industry does collapse.

Senator CRANSTON. Are you finding now that people are putting less carpentry or less cabinets into their homes because of the high cost of work?

Mr. MANSFIELD. Like I testified, there are some homebuilders in Orange County and in the Bay area that have gone to metal studs and steel trusses, as a substitute to get around the high cost of lumber.

Now, this right now is being done on a very small scale—very, very small scale. But obviously, if the price of finished lumber stays at the level it is right now, well, builders are going to look for alternate materials.

Senator CRANSTON. Thank you both very much. Your prepared statement will go into the record.

[Statement follows:]

STATEMENT OF THE STATE BUILDING AND CONSTRUCTION TRADES COUNCIL OF CALIFORNIA, AFL-CIO

The State Building and Construction Trades Council of California represents approximately 400,000 building tradesmen who earn their livelihood at the construction industry.

Over the past five years this Council has viewed with increasingly alarm the exportation of logs to Japan, in the last two years alone this figure has jumped from three billion board feet to the present estimated rate of four and one-half billion board feet a year an increase of fifty percent. This exportation of logs coupled with the recent housing boom in the State of California has driven the cost of lumber prices up in excess of seventy percent on many lumber items.

This means that a person who planned a twenty-five thousand dollar house last year has to pay fifteen hundred dollars more for lumber if constructed this year.

The Japanese are currently offering more than twice as much per thousand board feet for logs delivered to the dock as various sawmills throughout this State are able to offer. This Council firmly believes that if this trend is not reversed many of our builders will use other building products such as aluminum and metal studs, metal trusses, etc. Certainly in view of the growing environmental concern a building product that is bio-degradable, replaceable and does not consume any vast amounts of energy for its manufacture is more desirable.

This Council is also extremely concerned with the fact that our mills that must depend upon a separate source of supply for logs cannot possibly compete with the prices that the Japanese are willing to pay. When these mills have exhausted their present source of supply the only recourse will be to shut the mill down and lay everyone off. The lumber industry is certainly a very important segment of the economy of this State and we firmly believe that if something isn't done to reverse this trend it could have a far reaching depressive effect upon our economy.

At your hearing held recently in Portland, Oregon the Western Council of Lumber, Production and Industrial Workers, AFL-CIO, an affiliate of the United Brotherhood of Carpenters and Joiners of America submitted to you a brief covering their position on this problem. This Council firmly supports that brief and Senate Bill 1033.

Respectfully submitted,

RICHARD W. MANSFIELD,

Legislative Advocate and Business Representative.

Senator CRANSTON. Our next witness is Harry Bridges, president of the ILWU.

I'm delighted to welcome you to this hearing. I'm particularly pleased to have you here with us.

I'd like to say that the first time you and I met was 35 years ago. I remember, if you don't; the occasion was in the Sacramento assembly chamber, when Governor Olson pardoned Tom Mooney. I was up there to witness that event. And you were up there to witness that event. We encountered each other for the first time in our lives on that occasion.

Mr. BRIDGES. You're talking about those days when Sam Yorty was a left wing.

Senator CRANSTON. Yes. He was up there in the assembly.

STATEMENT OF HARRY BRIDGES, PRESIDENT, INTERNATIONAL LONGSHOREMEN'S AND WAREHOUSEMEN'S UNION AND JOHN PARKS, REGIONAL DIRECTOR, INTERNATIONAL LONGSHOREMEN'S AND WAREHOUSEMEN'S UNION (NORTHWEST CHAPTER)

Mr. BRIDGES. Senator, well, I'm here today. Along with me is John Parks, who is our regional representative for the Northwest, who is much more expert on logs than I am, and our research director for our international union.

I submitted a written statement that will take more than 15 minutes to read. So I'll make a brief summary, touching on the important points, starting with why we're here.

Senator CRANSTON. Your whole statement will go in the record.

Mr. BRIDGES. Right.

If I was up here testifying, as I am today, representing a union, and the purpose of me testifying was just to be concerned about the few jobs our union might lose, if the ban on logs goes through, I think that would be a disgraceful performance. I wouldn't do it. And the people I represent wouldn't let me do it.

We're up here because I want to make the record clear that we think the ban on logs will increase the price of lumber.

Our concern here is that our workers, like any other workers, can no longer afford the cost of buying a house, especially in the State of California.

Our research indicates to us that the main reasons that the cost of homes, especially for working people, has gone up, is, first of all, the interest rates, the mortgage rates, that they must pay, closing-out costs, mortgage costs, points, and so forth.

Second, the tremendous price of land, especially in the great State of California.

This is what our researchers have indicated to us. And that is the main reason that the costs of homes have gone up.

Lumber is affected. Our research indicates that a ban on logs would drive up the prices of lumber even more.

I hope I don't have to come back at sometime in the future and say this is what we were doing here, so at that time we could say: "We told you so."

Now, naturally, we can understand, to the average person, of course, it seems so simple.

We have a natural resource which is very valuable.

Lumber to build houses or anything else, first of all, must come from the logs. The logs must go to a sawmill, must be sawed into

lumber, and the finished product is used to build homes and houses. And if we start shipping away too many logs, it's automatically going to drive up the price of lumber. That seems to be a very logical reason why. But it doesn't happen to be true, as far as our research has indicated to us.

Now, we just don't depend on our own people, but we have talked to people who we consider experts in this field.

And this is indicated, we do have a little experience right now, which I'll come to in a minute.

First of all, I want to make it clear that our concern is to stop the cost of homes, for working people, going higher. We fight low-cost housing.

If, in truth, I was appearing here opposing the ban on logs, because of a few jobs that our union was concerned with, I'd be ashamed to have to do that. I'm not.

Now, without going into a long discussion on some of the other points, such as the devaluation of our dollar, the trade balances, the trade deficits—Japan being one of our best customers—I'll skip that and get down to some nitty-gritty points to try to compliment what I just said.

First, it is the main argument that a ban on log exports, and so increasing domestic supplies, would bring down lumber prices, make for lower prices. And conversely, log exports mean high lumber prices.

In 1969, log exports declined 2.3 from 1968, but lumber prices increased 12.1.

I want to point out, Senator, that our union testified before the Congress in 1968, in Washington, saying the same thing.

In 1968, we were saying that a ban on logs will increase lumber prices.

In 1970, log exports went up 13.4 percent, lumber prices went down 13.6 percent.

In 1971, log exports fell off 19.4 percent, but lumber prices went up 19.2 percent.

Only in 1972, did log exports and lumber prices both increase.

Clearly, the 1-year's experience in 1972, is not sufficient proof of the cause-and-effect relationship attributed to exports and prices.

Figures from the 3 years preceding 1972, refute the argument that a ban advocates are trying to make. Our price figures are from the wholesale price index, the U.S. Department of Labor, Bureau of Labor Statistics, and log exports from U.S. Forest Service reports.

Now, another thing closer to home—and this we can talk about with firsthand knowledge—our union, because of a slight disagreement with shipping companies and others, had a beautiful ban on logs, last year, 1971. It went on for 3 or 4 months. No logs moved from the northwest of California. It will take your ban longer to get into effect.

Now, in July of 1972, the price index for lumber rose to 142.5 over June 1971. It went up again in August to 146.7, and up again in September to 146.8. Only after the export ban, that's ours, was lifted in October of 1971, did lumber prices go down to 142.7 in October and 141.9 in November.

Without trying to be experts on logs, and we're certainly not, there are certain aspects in the matter of building homes, this has been our firsthand experience: We had a ban on logs, and down went the prices; after the ban came off, up went the prices. This is what kind of convinces us that we ought to take it easy on this particular point.

Now, there's another argument.

Our union, incidentally, has waterfront workers organized in the Province of British Columbia of Canada, and of Alaska, too.

Twenty-two and a half percent of our lumber supplies used for building homes, especially on the east coast and inland from the east coast, come out of Canada and shipped back East.

When log bans were being talked about before, what we noticed was that the Japanese people quite properly went shopping. And we feel that a ban on logs will drive that particular trade to Canada, meaning that the Japanese will buy lumber and have it shipped—as well as logs, and have it shipped—to Japan.

How come the lumber goes from Canada to the east coast?

Well, first of all, it's not efficient and feasible to ship lumber from Canada to the west coast. We have our own supplies.

It does go to the east coast of the United States, because by and large, it's carried in foreign bottoms. And under certain laws of our country, why, that can be done with foreign ships. American ships don't get any of that trade.

Now, the main point is that the ban on logs will put a stop, according to our experience, on those shipments that are made from Canada to the United States. And those shipments will be diverted to Japan, and up again will go the price of lumber.

Another thing, as far as we are able to discover, it is said that mills will shut down. It is our understanding and our research indicates to us that the mills, especially in the Pacific Northwest, are running at capacity right now. With the log supply right now, they are running at full capacity to cut the lumber. And the lumber experts up there indicate to us that the—as far as the mills that are in existence now—there's been a sharp cutback in mills in the last few years—but the mills now can't handle the present log supply. They are at capacity or better. This is our information.

We have men organized in our union in many of the small ports of the Northwest. I've made the same argument to those people there. So we can't be unselfish about this. So we have to look at the whole thing.

And if it's just a matter of worrying about a few longshore jobs, that is not the main issue, that's a part of the issue. But we have to worry about the jobs that the two gentlemen that preceded me testified about. And we do worry about them.

So I've touched on the main points that bring me here today to testify against this ban. We're afraid the ban, far from doing what you think it will do—cheapen the price of lumber; bring down the cost of homes, at least they won't go any higher—we think the reverse will be true. We hope we're wrong. I hope what I'm saying today will not work out.

We think Senate bill 1033 can reward and help a small handful of financial operators and homebuilders, not the small builder and, of course, increase the price. And that we don't want to see.

We'd like to get some action against the financial manipulators, who do dominate the whole building industry, and not to worry so much about the ban on logs.

On the other hand, if it could be demonstrated to us that the ban on logs would cheapen the price of homes, we would be back here testifying in favor of it.

Thank you.

Senator CRANSTON. First, I want to thank you for that last statement, which you present more fully in your prepared statement: namely, that if you became convinced that there were more jobs to be gained than lost by the ban, you would reverse your position.

I want to assure you that if I became convinced that this bill would cost more jobs than it would create, I would abandon my support of the bill.

This hearing is designed to get further testimony from various people, like yourself, on the employment impact as well as other effects.

I don't understand exactly why you feel that the ban would increase the cost of lumber. Is your reason that you feel that Japan would then start buying lumber from Canada, and we wouldn't get that source and would wind up still in short supply?

Mr. BRIDGES. I'll let Tom answer the second part of the question.

The first part of the question is: Why do we think the ban will increase the price of lumber? Because that's what's happened in the past. That's what happened.

Senator CRANSTON. Why does that happen?

Mr. BRIDGES. I don't know.

To go to the second part of your question, one reason that the lumber supply that we get from Canada starts to move across the Pacific.

Senator CRANSTON. The Government of Canada bans the export of uncut logs, as you know. They won't do what we're doing. And very few other countries will permit logs to be exported without having logs cut into lumber first, so that they aren't exporting a raw material without processing it.

We had testimony that 50,000 or 75,000 milling jobs would be created by manufacturing the logs we export into lumber.

Would you support a ban on the export of raw logs from the United States if the export of manufactured timber were continued?

Mr. BRIDGES. Obviously, if there was a question of the thought or belief that the ban on logs would result in the cutting of lumber, we would support the lumber. There's no reason I should worry about that particular point, unless it increases the cost of lumber for home-building purposes. We think it would.

The second point is: Our people can handle, and do handle, lumber just as well as logs, and such a thing would create more jobs for our people, so I couldn't be against that.

But the facts are, as we understand them, that it's not likely to happen. That will cause the price of lumber to go up.

And our information from Canada is there is no ban on logs, the way we're discussing it here, Senator.

Senator CRANSTON. As I understand it, we have not had any—Bob, have we had any testimony to the contrary that Canada does not permit the export of logs? Is that not correct?

Senator PACKWOOD. British Columbia hasn't allowed the export of raw logs—except for limited surpluses—for 60 years.

Mr. BRIDGES. I checked the question out from our director in Canada.

Point 1: Raw logs are exported from Canadian ports to foreign markets.

I've seen it happen myself. So I thought I must have been seeing things.

So I phoned up there yesterday, and said: "What the hell was that stuff you guys were sending away when I was up there a few months ago?"

And they said: "Logs, what's the matter with you."

So I don't pretend to be a log expert, and it looked like logs to me, and they said they were logs.

Senator CRANSTON. Can you give us any more precise information from what port, what date, what amount?

Mr. BRIDGES. American logs also exported from foreign markets and Canadian ports.

Senator CRANSTON. American logs?

Mr. BRIDGES. American logs go to Canada. When we start maybe putting a ban on logs here to Japan. But all the times, it's a constant thing, logs are shipped to Canada. This is my information from Canada. I'm not giving you anything I know firsthand, sir. American logs are shipped to Canada and then shipped across the Pacific.

Third, there's no Canadian point on the export of raw logs, with the exception that certain declines are necessary before logs can be offered for sale in foreign countries.

Senator PACKWOOD. Let me pursue that. The certain exception is that they must be surplus to domestic need. Isn't that true?

Mr. BRIDGES. I don't know.

Senator PACKWOOD. Well, that is true.

Mr. BRIDGES. It could be, Senator.

Senator PACKWOOD. That is true.

I'm quoting now from Log Exports from British Columbia Ports, put out by The Pacific Northwest Forest and Range Service: In 1972, from British Columbia, 55 million board feet of logs were exported—55 million board feet, that's all that was surplus—and in the United States, we sent 3 billion board feet of logs in 1972. The amount of logs that go out of British Columbia don't amount to much. They won't let them go out unless they're finished into lumber or surplus.

Mr. BRIDGES. I don't see any contradiction, Senator. That's my information, too.

I'm well aware that they do up there—I'm informed of that, too—they go around to the various mill owners that say they have enough—the mill owners. So that makes those logs surplus, right?

Senator PACKWOOD. Right.

Mr. BRIDGES. And then, they can be exported.

All right. So just a while ago I testified, again, through information from the Northwest, that mills are full now.

Senator PACKWOOD. In that case, you should have no objection to our bill, because our bill provides exactly the same rule. If the logs are surplus to domestic needs, if the mills are operating at capacity, if they cannot utilize the logs, they can be exported.

Mr. BRIDGES. I might say, that if the Cost of Living Council would get on the ball and not freeze prices where they are, but roll them back, that would be a different thing. But to mill, you can't make a person if it's not profitable enough. I'm informed it takes a couple of years to set up a sawmill and get it going.

Senator PACKWOOD. Right; building one from scratch.

Mr. BRIDGES. That's right.

Senator PACKWOOD. If your conclusion is correct, then these mills can't buy the logs anyway then, can they? They can't use them, and they can export them.

Mr. BRIDGES. I'm telling you my information from Canada is secondhand, which is, there is no ban on logs. And you're saying these are surplus logs. That's what you're saying, Senator.

Senator PACKWOOD. That's what the British Columbia law says, only surplus logs can be exported. Last year 55 million board feet of surplus logs were shipped from British Columbia, as opposed to the 3 billion board feet that we shipped from Oregon, Washington, and California and the rest of the Nation.

Mr. BRIDGES. I have some pretty hefty figures on the amount of lumber they shipped. I understand there are Japanese experts up there asking them to turn the logs this way and that way, and that's the way they arrive over there.

Senator PACKWOOD. Oh, they ship great quantities of lumber out of British Columbia.

Mr. BRIDGES. Lumber and logs, that's my information.

Senator PACKWOOD. Let me go on to your productive capacity conclusion. You make some brief reference to productive capacity. And then, you go on quoting from Mr. Weyerhaeuser and Senator Hatfield. Are they your sole sources on productive capacity?

Mr. BRIDGES. I thought they were pretty good. Senator Hatfield is an old friend of this union. And when he says that the mills are running at 101 percent capacity, we believe him.

Senator PACKWOOD. That's your source?

Mr. BRIDGES. That's one source.

Senator PACKWOOD. What's your other source?

Mr. BRIDGES. Well, what we say in here, the president of Weyerhaeuser Lumber Co. That's a pretty big outfit. We didn't think they were kidding.

If they weren't telling us the facts then, of course, our statement is wrong. I grant you that.

Senator PACKWOOD. The facts on present production aren't disputed. But as to whether or not the mills are at their capacity; that is quite a different case.

There have been two studies done, one by Mr. Hal Mayhew, a forest products analyst in Portland, and another one by the West Coast Lumber Inspection Bureau. Both surveys indicate there is ample surplus capacity in the existing plants in Oregon, Washington, and California, to take care of most of the logs which are being sent overseas.

Mr. PARKS. Senator, when you talk about capacity, now, I know there's been a lot of conflicting statements on whether or not mills are operating at capacity. Now, what capacity means to one person may not mean to another. But I do know that in the Portland hearings, and you know, and you have the testimony from a well-established, oldtime mill operator in Oregon that owns a plywood mill and I believe two sawmills, and been in business for 65 years. And when he tells us, and he told you in his written statement that I have with me, that you received, that he's operating from two 10-hour shifts, and using the other 4 hours for meals and maintenance on his equipment, and so forth, I can't say that that guy isn't running at full capacity.

Senator PACKWOOD. That's right.

Normally, two shifts, 6 days a week would be considered capacity. Most mills in Oregon and Washington and California are not operating two shifts, 9 or 10 hours a day, 6 days a week, and they could, and they would, if they had access to logs.

Mr. PARKS. Well, you say that. But I don't know whether that would be true or not, because when they're talking about being short on logs, a mill operator is talking about 2-to-5-year span of timber ahead of him. That's the way they operate. And they'll all tell you that.

It doesn't mean that they've only got 10 logs left laying out here in the field and when they saw those they're all through.

That has nothing to do whatsoever with the mill capacities.

Now, there are a lot of reasons for a sawmill operator to maybe run one shift, those are management problems. I don't want to get into those. And I'm not disputing your word when you say that all the mills aren't running at capacity, because I would assume they aren't.

Senator PACKWOOD. So it appears in the record, Mr. Chairman, let me read about three paragraphs from the "Survey of Operating Capacity in West Coast Lumber and Plywood Plants," done by Mr. Hal Mayhew in March of this year. He mailed questionnaires to 347 sawmills about their capacity, returns from 102 sawmills were received by March 16—returns from 102 out of 347. Of this total, 54 plants indicated they were running 1 shift or not operating at all. Close to 75 percent of the mills indicated that they could increase production by means of 9-hour shifts or 6-day weeks, if logs were available. Translated to a yearly basis, the reporting mills were producing at a yearly rate of 4.4 billion board feet; with an adequate supply of logs, they could increase this to approximately 6.18 billion board feet, a gain of estimated 1.7 billion board feet, out of the existing mills, with no additional capacity having to be built. That's out of the 102 that responded. They're not projected figures for the mills that didn't answer.

Mr. PARKS. All right, Senator. Let's assume that that's correct. I don't know. I'm not willing to take that as being the last word. But let's assume that it is.

Now, that's exactly what the administration and President Nixon did. What did he do? He said: "What's going on here? The mills can't get logs? Well, we'll alleviate that situation and we'll make logs available to all those people so they can work in full capacity."

And they'll say: "Well, do that immediately."

Senator PACKWOOD. They're saying that at the very same time that they're cutting the Forest Service budget for roads and trails from \$140 million to \$87 million next year. And they're not going to get the timber out of the forests by cutting the road budget in half.

Mr. PARKS. I'm not going to argue that point. I don't see that point in Senate bill 1033 any place.

Senator CRANSTON. The administration has proposed that as an alternative to this bill. That's why it relates to what we're talking about. We will have testimony from some northern California mills that they are at no means operating at capacity because they can't get the logs up. They'll come into the hearing later, and we'll have an opportunity to hear what they say. If you have any questions about their testimony, I wish you'd submit them for us; that is, if you're able to stay and hear what they say.

I'd like to ask how many ILWU employees in California would be directly affected by an embargo on the export of logs?

Mr. BRIDGES. I wouldn't think it would be more than 400 or 500, if that.

Senator CRANSTON. 400 or 500?

Mr. BRIDGES. Yes; at the most, maybe 3,000 coastal longshoremens, so it's a relatively small number of jobs, compared to the building trades.

Senator PACKWOOD. Let me make sure I have that figure again, because there's been a lot of different figures being bandied about.

If we had a total ban on the export of logs, and assuming no lumber was shipped at all or exported, we're talking about a total loss of 3,000 or 3,500 longshoring jobs?

Mr. BRIDGES. Right. I should mention that in our statement we have a letter from the Governor of Washington, saying the same thing on mill capacity, as well as Senator Hatfield.

Senator CRANSTON. Is it your conclusion that if an embargo had been placed on the shipment of raw logs 1 year ago, the great increase in lumber prices would still have happened?

Mr. BRIDGES. Or more yet, and where they are now or gone further.

Senator CRANSTON. You really feel that the Japanese purchases have not been a major factor in the increase in prices?

Mr. BRIDGES. I'd say that if the law of supply and demand is working that has to be a factor, there's no doubt of that. There's no doubt that the lumber—the softwood lumber of the west coast—is a very valuable world commodity in short supply, there's no doubt of that.

Senator CRANSTON. I'd like to submit to you some evidence that we've been given by homebuilders that relates directly, by their analysis, to the connection between log exports and increased prices.

If your staff could submit to us in writing your response to the evidence submitted by homebuilders, that would help us to see exactly what is the correlation between exports and prices. If you could submit that to us for the record, as soon as it is convenient, we would be grateful.

Mr. BRIDGES. We will, and any other thing that you might want us to submit, we would put our forces to work and get it.

Senator CRANSTON. You don't dispute the fact that the cost of homes is going up very rapidly, do you?

Mr. BRIDGES. I certainly do not. They've gone up too far, so that most of the people—millions of people in our union that have had their eye on getting a home, well, they are kind of having second thoughts about it. That's the main reason I'm here.

Senator CRANSTON. Bob, do you have any further questions?

Senator PACKWOOD. I have nothing further.

Senator CRANSTON. We have no further questions, I thank you very, very much for your presence and your testimony.

[The complete statement of Mr. Bridges follows:]

STATEMENT OF HARRY BRIDGES, PRESIDENT, INTERNATIONAL LONGSHOREMEN'S
AND WAREHOUSEMEN'S UNION

The arguments advanced by the proponents of a ban on the export of logs have no basis in fact, are a gross distortion of economic realities and reflect narrow self-interests. The ban, if imposed, will dramatically worsen our already precarious foreign trade position, adversely affect American consumers, and create financial havoc for thousands of American workers. The International Longshoremen's and Warehousemen's Union opposes the efforts to ban log exports as advocated by Senators Packwood, Cranston and Church in Senate Bill 1033.

If it were true, as its proponents argue, that a ban on the export of logs would lower lumber prices and housing costs in the US, and increase the work opportunity for sawmill and construction workers, then the ILWU would have a different position on this issue and not be before this Committee today. We have not seen one documented shred of evidence to indicate or prove that either of these allegations are correct. Before a dramatic step such as banning the export of logs is taken, a step which has many grave implications, it is imperative that the advocates of such a move prove their case to the American public. We believe that they cannot.

INTERNATIONAL TRADE AND MONETARY AFFAIRS

Twice since December 1971 the US government has found it necessary to devalue the dollar in international monetary dealings, thus increasing the cost of living for US consumers. Foreign imports sold in the US have become more expensive, and products made in the US which contain components or ingredients purchased abroad have also increased in price. What is more, devaluation has encouraged US manufacturers to raise the prices of goods which have been in competition with imported products.

Without going into an elaborate explanation of international monetary affairs, it is clear that devaluation stems from certain actions taken domestically: (1) continued inflation in the prices of American-made goods, (2) foreign investments made by US capitalists and military expenditures abroad by the US government, (3) and a growth of exports slower than that of imports.

To the degree that the rate of growth of exports has lagged behind the rate of growth in imports, it is totally irrational to now urge that exports be cut, thus worsening the trade deficit. Protectionists have fired their biggest guns at the Japanese. In 1972, our trade deficit with Japan alone accounted for nearly two-thirds of our total trade deficit. The one bright spot in the picture is that the Japanese were able to purchase more than \$400 million worth of US logs.

Late in 1972 Japan reduced certain barriers to US exports to Japan. It lessened restrictions on some 80 percent of all taxable items entering the country,

and announced at the same time that it had adopted procedures to restraint sales of Japan's fastest selling exports.

To now place an embargo on the export of logs, which accounted for about 7 percent of US exports to Japan in 1972, would obliterate one major advantage we have in dealing with the Japanese, and, more important, invite Japanese retaliation against other products they are now or might in the future import from the US.

American consumers and workers will get left holding the bag for the gross distortions in trade caused by a ban on the export of logs. Prices would be adversely affected on hundreds of products, and jobs are threatened in a wide variety of industries involved in both the import and export trades. Even excluding retaliation, if that is possible, log export restrictions will deprive the US of millions of dollars in trade and aggravate the balance of payments problem even further. We should be talking today about how we increase our exports to Japan instead of limiting them.

THE COST OF HOUSING

The proponents of a ban on log exports have argued that housing costs have soared because of log exports. Although this allegation has received wide publicity in the press, it suffers from lack of documentation. At most, the increase in the cost of housing attributable to log exports is infinitesimal, probably not even measurable. Moreover, there is ample reason to believe that a ban on the export of logs will raise lumber prices, and thus increase the costs of housing.

Reputable economists have long held that spiralling housing costs are in the main attributable to higher land costs and increased interest rates. As academic economists Behman and Codella have pointed out ("Wage Rates and Housing Prices", *Industrial Relations*, February 1971, pp. 86-104): "As shown . . . , for each year studied, the main relative influence on the price of houses across the standard metropolitan areas was in the site price of the house. . . . The evidence presented . . . is consistent with the observation made by the Kaiser Committee regarding the importance of land prices in the pricing of houses."

AFL-CIO economist Nat Goldfinger ("The Myth of Housing Costs", *The American Federationist*, December 1969, pp. 1-6) identifies financing costs and land prices as the "key issues" in higher housing costs. Goldfinger notes that land and financing costs, when combined, rose from 16 percent of the price of a house in 1949 to 31 percent in 1969. He notes, "the soaring trend of interest rates is pricing an increasing percentage of families out of the market for single family homes and new apartments. Skyrocketing interest rates have increased costs to home builders, prices and monthly payments to home buyers, and rents to those who seek new apartments."

Finally, Michael E. Stone, writing in *Society Magazine* (July 1972) points out where housing price increases are really coming from:

"The most rapidly rising components of housing costs in recent years have actually been land costs, financing charges and closing costs. During the last few decades land has been the fastest rising major element in the cost of new housing.

* * * * *

"As land prices rise, there is a multiplier effect on total construction costs. Developers generally tend to put more expensive or larger houses on higher-priced land. In addition, increases in land prices are generally related to increases in housing demand and housing prices. As the value of housing goes up, the value of both occupied and potentially occupied land also goes up. To the extent that land speculation is financed by mortgage borrowing, lenders contribute to and profit from increased land values. (These quotes are taken from a report on the Stone article carried in the *East Bay Labor Journal*, August 4, 1972, the official publication of the Alameda County Central Labor Council, AFL-CIO.)"

These facts, when combined with the sharp rise in housing starts in the last two years which have taxed the productive capacities of mills throughout the nation, are what lie at the root of the housing cost crisis. To the degree that lumber prices may vary wildly from month to month, the *Wall Street Journal* (March 5, 1973) attributes the recent price surge to (1) sustained demand for wood products, (2) the relaxation of controls under Phase 3, and (3) a rail car shortage that has kept some lumber from Eastern markets.

Some advocates of export controls have argued that exports have limited the availability of lumber for domestic uses. Again, where are the facts to support that contention? US log exports accounted for 5.69 percent of US softwood output in 1972, only very slightly more than was exported in 1968 and 1970, and a large majority of those exports were western hemlock, not the douglas fir which is preferred on the domestic market. Most important to recognize is that domestic mills are already worked to capacity. No less an expert than Senator Mark Hatfield noted in March 1973 that "Housing starts have leaped . . . with a corresponding increase in demand for timber products. *The result has been the full-capacity production of most mills in the Northwest. In the state of Washington, for example, which contributed nearly 84% of the log exports last year, sawmills operated at more than 101% capacity*" (emphasis added). George H. Weyerhaeuser, the President of Weyerhaeuser has said (February 27, 1973), "The tremendous present home-building demand, pulling against inadequate available manufacturing capacity in the US and Canada, has caused the market-price increases." Hatfield adds, "Thus an embargo on all log exports would not solve our timber supply problems, particularly as they relate to homebuilders and small to medium-sized sawmills." In short, the ban on log exports will in no way expand mill capacity and output, the crucial variables in the supply equation.

We fear, as do others in the logging and lumber industry, that a ban on exports will have precisely the opposite effect on finished lumber prices, raise rather than lower them. Washington Governor Daniel J. Evans, in a letter to Representative Julia Butler Hansen on February 20, 1973, says, "If we remove our logs or lumber and plywood from the foreign markets, competition from these foreign markets for wood from Canada will increase. With increased demand on the Canadian wood we would be forced to buy less; thus, still not meeting our need in wood supply or price." He concludes his letter with the flat statement: "I am not in favor of an embargo on logs, plywood or lumber."

Given, the argument goes, that we are now working at capacity in the mills, and if we eliminate log exports to Japan, one or two eventualities are perfectly predictable. One, Canadian mills which can now cut logs to Japanese specifications and which also supplied 22 percent of domestic consumption in 1972, will be encouraged to divert their productive capacity away from the American market to the potentially more lucrative Japanese market. This will lessen the supply of finished lumber available in the US, and thus tend to drive up the prices which can be obtained by domestic mills already operating at or near full capacity. Or, two, US mills will divert a certain proportion of their output to meet the generous demands of the Japanese market, thus limiting the supply available domestically, and putting them in perfect position to increase their profit margins at will.

Melvin M. Stewart, President of Seattle Stevedore Co., points out in his letter to the Business Editor of the *Seattle Post-Intelligencer* (March 31, 1973), private non-timber owning interests want the best of two worlds, "(1) no competition on price for the raw material and (2) no price control of the end product, lumber or plywood." And Weyerhaeuser Co., in a recent publication (entitled "The Impact of Log Exports: A Synopsis") states, "The assumption, and it is correct, is that an export ban would cause Washington log and timber prices to drop. Such a situation, coupled with the even higher product prices that would result from a log export ban, would present these mills with the best of all possible worlds—rising prices for their products, and dropping prices for their raw material, with profit margins improving rapidly as income increased and costs decreased." (See also article by Gerd Wilcke, *New York Times*, March 30, 1973, and article by Clarence Rosenbaum, *Journal of Commerce*, March 29, 1973.) In short, while a log embargo might conceivably lower the price of logs, it will not bring about lower lumber prices, and is likely, in fact, to raise them. No relief is in sight for the homebuyer if this route is chosen.

The advocates of a ban on log exports have argued that cutting back on exports and so increasing domestic supplies will bring lower lumber prices. Conversely, they argue, log exports mean higher lumber prices. What are the facts?

In 1969 log exports declined 2.3% from 1968, but lumber prices increased 12.1%. In 1970, log exports went up 13.4%, but lumber prices went down 13.6%. In 1971, log exports fell off 19.4%, but lumber prices went up 19.2%. Only in 1972 did log exports and lumber prices both increase. Clearly, the one-

year experience of 1972 is not sufficient proof of the cause and effect relationship attributed to exports and prices. Figures from the three years preceding 1972 refute the argument that ban advocates are trying to make. (Price figures from Wholesale Price Index, US Department of Labor, Bureau of Labor Statistics; Log Exports from U.S. Forest Service reports.)

What is more, there was a "ban" on log exports in July, August, and September 1971. No logs were shipped out of West Coast ports. In July 1971 the price index for lumber rose to 142.5 over June 1971. It went up again in August to 146.7, and up again in September to 146.8. Only after the export "ban" was lifted in October 1971 did lumber prices go down—to 142.7 in October and 141.9 in November.

And what are we to make of the fact that lumber from the South has persistently increased in price even though none of it is exported?

I am well aware that Senators Cranston and Packwood came to a completely contrary conclusion in their letter to President Nixon of February 1973, to wit: "Due in large part to the volume of exports of softwood logs and lumber to Japan, lumber prices have soared in the past year."

IMPACT OF BAN ON COMMUNITIES IN THE NORTHWEST

To again quote from Governor Evans' letter to Representative Hansen of February 20, 1973:

"If action is taken to eliminate log export, all we will have done after the economic and political maneuvering is finished, is damage an established and vital segment of Washington's forest industry. Log exports supplied needed employment during the wood industry employment declines of 1967, 1970 and 1971. When Washington was reeling under the impact of a reduction in aerospace and domestic forest industry decline, longshoring, logging and associated export activities supplied much needed employment.

"The idea of foreign trade restrictions greatly concerns me. Presently, one job in ten in Washington State is associated with foreign trade. If we're willing to seriously consider restricting the export of one of our products (logs), this may set a precedent for similar action on other export commodities. This may have a damaging impact on future export sale of our aircraft, grain, other agricultural commodities, special bio-medical equipment, light and medium machinery and such. Their net effect gave Washington State a \$433 million positive balance of trade in 1972."

Thousands of jobs would be lost for workers in the Pacific Northwest if log exports were to be banned, with no commensurate increases in employment opportunity in the sawmill or construction industries. In Washington alone it is reliably estimated that some 8,000 jobs would be lost directly, and another 8,000 lost indirectly. Though total job loss would be less in the states of Oregon and California, the nation can ill afford any decline in employment at all.

Entire communities might be wiped out if the log export ban passes; others would obviously be hard hit. Here's what some people in Aberdeen, Washington are saying:

Joe Tolemi, independent grocer: "If they cut out the log exports, thousands of jobs will go down the drain, all lines of business will be hurt. A solution must be worked out to make logs available to the mills if they don't have them. But the answer isn't cutting out the exports."

Calvin Lyons, independent truck driver: A log export ban "would cripple the city. They might as well put a gate across the highway at Olympia and detour all traffic to Portland." Asked what would happen to his truck if exports stop, he replied, "I'd eat it."

William Claxon, operations manager Port of Grays Harbor: "From 1,000 to 1,500 people would be thrown out of work immediately; eventually these'd be 2,000 to 3,000 jobs lost. A lot of service-type business would fail." Claxon estimates the financial impact on the local community through direct job loss at \$18 million; \$25 million indirectly.

Judy Carmen, wife of a longshoreman: "Losing the logs would mean losing our home, our truck and canopy for family vacations. We have two kids graduating from high school and one in junior high. We came here from the mines when they closed down."

When offered the opportunity to vote on the issue of banning the export of logs from state-owned land in Washington, the citizens there on November 5, 1968 voted to dump Initiative 32 and thus not curtail the export.

Obviously, longshore employment is immediately affected by a ban on log exports—3,000 jobs might be lost in the Pacific Northwest, and the earnings of 3,000 workers lost to the communities in which they reside. 100 percent of the work in the ports of Rainier, Bandon, Olympia, Port Gamble, and Raymond is dependent on the trade in lumber and logs. Ports with percentages of work opportunity of from 24 to 97 percent dependent on logs and lumber include Vancouver, Longview, Astoria, Newport, Mapleton, North Bend, Gold Beach, Anacortes, Bellingham, Everett, Aberdeen, Port Angeles, and Tacoma.

In addition, under the Pacific Coast Longshore Agreement where we have coastwide registration, men in depressed ports have the opportunity to transfer to larger ports. With work opportunity already on the decline in most other ports on the West Coast, Northwest dockers possibly seeking employment in major ports such as Los Angeles, San Francisco, Portland, and Seattle will impose a substantial burden on men already working in those ports. We'll have to share the poverty.

What's more, a ban on log exports will adversely affect work opportunity in East Coast ports. We quote from a letter of March 26, 1973 to Senator Harrison A. Williams, Jr. from L. J. Osterhage, Weyerhaeuser Company Manager, Eastern Sales Zone:

"When you think of the hundreds, most certainly thousands of people back here on the East Coast who would be impacted adversely by a cutoff of log exports from Oregon and mainly Washington (82% from there) due to a probable drying up of intercoastal Canadian shipments and/or even more inflated lumber prices (again, over 80% of the waterborne shipments here originate in British Columbia) the seriousness is evident. Besides our own operations and people in New Jersey and up and down the coast, all of our competitors, customers (retail lumber dealers, industrials) longshoremen and home builders would feel it sooner or later."

CONCLUSION

In this statement we've dwelled on the apparent contradictions espoused by the proponents of a ban on log exports. We have tried as best we are able to point out such contradictions in this statement. We have attempted to present facts and rational analysis.

The International Longshoremen's and Warehousemen's Union has long argued that every single American has the right to adequate housing, regardless of income. We have continually supported every step taken to provide housing in America. We join with all of those in America who cry out that housing is too expensive, that in this economy it is inexcusable that Americans should be condemned to urban ghettos and rural squalor. We have consistently joined forces with groups seeking an end to the housing crisis, and oppose the moratorium on low-cost housing.

A ban on log exports will worsen our trade deficit with Japan rather than improve it.

A ban on log exports will aggravate US international monetary problems rather than help solve them.

A ban on log exports will likely raise the costs of lumber and housing rather than lower them.

A ban on log exports will greatly damage communities in the Pacific Northwest rather than help them.

A ban on log exports will create substantial unemployment rather than add jobs.

We are convinced that S. 1033 will not serve the best interests of the people. It could well reward a handful of mill operators and homebuilders at the expense of American consumers. We are convinced that America can meet its housing needs and supply export markets, if only we can get a handle on the machinations of the financial manipulators who dominate the homebuilding industry. That is the problem, not the export of logs.

[From the Wall Street Journal, Apr. 16, 1973]

REVIEW AND OUTLOOK

FINE-TUNING JAPAN

One after another, ideas on how to smooth out the business cycle founder on the politics of Washington. Congress soured on the idea of raising and lower-

ing taxes as a means of dampening booms and cushioning recessions. Nor does it seem to like the notion of leaving taxes fixed while moving federal spending up and down along a calibrated "full employment" path. And the Federal Reserve finds it both politically and technically difficult to hold money growth on a steady course.

Now there is a new, politically appetizing fad on how to fine-tune the economy. The idea is that during recessions Japan should stop exporting so much to us, thereby opening up more jobs to U.S. workers; thus, the "voluntary" steel and textile agreements. Conversely, during a boom, as at present, Japan should be made to stop importing so much from us, thereby relieving inflationary pressures here and permitting the boom to continue painlessly.

This seems to be the reasoning behind Sen. Robert Packwood's bill to cut off log exports to Japan. If lumber prices are soaring, causing headaches in the housing, paper and furniture industries, why sell all those logs to foreigners? Indeed, the Oregon Republican would gradually make the export ban permanent, so U.S. consumers will be able to enjoy the resulting lower lumber prices on a perpetual basis.

Aside from the diplomatic strains with Japan this would produce, the Packwood solution—like so many of the simple, politically attractive panaceas now popular in Washington—would be economically destructive. The homebuilders, paper people, and furniture manufacturers would get less lumber at higher prices. And the United States would lose a lucrative three-way trade in logs and lumber with Japan and Canada that is now a boon not only to the U.S. balance of payments but also to the U.S. consumer.

As it happens, the logs Japan buys come mainly from the state of Washington, which originated 82% of all U.S. log exports last year. If the logs were not sold to Japan they would not be harvested. This is because it is uneconomic to truck logs more than 150 miles to be processed and the saw mills in Washington are running at peak capacity. A relatively small number of logs would be diverted from Japan to the saw mills of Oregon, which are not running at capacity because they can't get what they need from the federal forests.

But this drop in the bucket would be overwhelmed by other forces that would be turned loose by an export ban. Log and lumber prices would soar in Japan, which would turn to British Columbia for logs and to Canada and the United States for lumber. Canadian lumber exports to the U.S. would be diverted to Japan and prices of U.S. lumber would be bid up higher by the Japanese, leaving U.S. consumers in worse shape than they were to begin with. The only beneficiaries would be the Oregon saw mill operators and the Sierra Club, which doesn't want anybody to cut down trees.

It's hard to imagine the United States would also bust up an incredibly advantageous trade in logs and lumber with Japan and Canada, which we owe to geography and Japan's taste for Washington's western hemlock. This year's estimate is that Japan will buy \$500 million in U.S. logs and the United States will buy an *equal volume of lumber* from Canada for \$400 million. Japan, though, may not "voluntarily" limit its U.S. log imports to avoid direct action by Congress.

While we can't believe Congress would be so foolish as to plunge ahead on such a destructive path, stranger things have happened on Capitol Hill of late. The control-happy House Banking Committee has already voted to bar all log exports from government forests west of the Rocky Mountains. But even if Congress controls itself on this issue, it does no good to even foster the notion that U.S. economic problems are made in Japan, and that its economy should be fine-tuned to suit us. U.S. economic woes are made in the U.S.A., for the most part in Washington, D.C.

NEWS Release : AFL-CIO, Department of Public Relations.

APRIL 10, 1973.

AFL-CIO President George Meany today made the following comment on the testimony of the Secretary of Labor before the General Labor Subcommittee of the House Committee on Education and Labor on amendments to the Fair Labor Standards Act:

As trade unionists, we are shocked at Secretary Brennan's performance today. In his very first appearance on legislation before a congressional committee, this life-long union man presented the discredited line of the United States Chamber of Commerce.

His testimony today is a direct reversal of the views he expressed on January 18, when he sought the support of the Senate committee for his confirmation. Then, Brennan said:

"I believe in a realistic and adequate (minimum) wage. I am aware of the problem of youngsters, many of whom have to pay their way through school, but I am fearful if we have a difference of wages with the youngsters and their fathers in the area where minimum wage is so important, this could create problems."

Senator Taft asked, "How do you feel about the youth differential?"

In answer, Brennan said: "... If they are going to perform the same duties, the same responsibilities, I do not see why there should be any difference in the rate."

On January 18 Senator Taft asked: "On the coverage questions involved in minimum wage, do you think that the Fair Labor Standards Act should be extended to cover State and municipal employees?"

Brennan answered: "I think so."

Today, Brennan managed to present a bill worse than that presented last year on behalf of the Administration.

Specifically, Brennan would:

1. Worsen the Administration's sub-minimum wage for teenagers, which would result in employers firing fathers to hire sons, by extending the exemption from 18 to 20 years.

2. Cut the proposed initial minimum rate from last year's meager proposal.

Senator CRANSTON. We'll now hear from a panel, John Clark, president of the State Association of Homebuilders, Dean Morrison, president of Morrison Homes, of Oakland, Calif., Thurston Shinn, also of the State association.

Thank you very much for your presence. We're delighted to have you with us.

STATEMENTS OF JOHN B. CLARK, JR., PRESIDENT, CALIFORNIA BUILDERS COUNCIL; DEAN MORRISON, PRESIDENT, MORRISON HOMES, AND THURSTON A. SHINN, PRESIDENT, BUILDING INDUSTRY ASSOCIATION OF CALIFORNIA

MR. CLARK. Gentlemen, I'm John B. Clark, Jr., president of the California Builders Council, a statewide organization composed of 10 area builder associations, whose members produce slightly more than 75 percent of the housing and light construction in the State.

We're greatly concerned and frustrated by the circumstances that are preventing us from meeting the demand for our products.

We compliment you on your efforts on this problem, and we pledge our total support in your attempt to find a solution to the spiraling lumber costs, which are literally pricing us out of the market for those most needing our products.

We believe that Senate bill 1033 has a definite long-range possibility of alleviating the problem, but unless we can have an immediate embargo on all log exports, continuing short supply will drive prices even higher.

We believe that an immediate embargo, coupled with improved forest management practices, can return lumber prices to sound levels.

A free enterprise system of supply and demand will bring prices under control, when we can prevent the needs of other countries from coming before our own domestic needs.

Our mills have the capability of meeting our needs, if the logs are made available at reasonable prices. And we must stop the inflationary pressures of foreign demand in order to save our own citizens.

Again, I commend you on your interest in seeking answers to this problem. Your hearings have revealed many facets of dilemma, and we encourage you to take appropriate action to prevent the chaos that is threatening us.

Mr. T. A. Shinn, the chairman of our lumber committee, has a statement for you.

Mr. SHINN. Mr. Chairman, Senator Cranston, and Senator Packwood.

I'm not going to get into the short-range solutions. I think that Senator Packwood delineated the problems numerically at the beginning.

I'd like to go into some of the long-range solutions, because I think an embargo is a short-range solution.

I think that we have a long-range solution that would be something that would be of benefit over a long haul.

It amazes me to constantly have this yo-yo, up and down, of the lumber prices and the supplies, and that they seem to yo-yo relative to the starts of homes. If the starts of homes are down, the interest continues, price continues, and many things go into the prices.

It amazes me that in our timber cut—our allowable timber cut—we have not cut the amount that we could. And the back amount that has not been cut has been accumulated and could be cut. And at the same time, we have budget cut coming up this year.

I understand from the National Association of Home Builders in Washington, D.C., that there's actually money in the pipeline for the Forestry Department, unspent for personnel as well as techniques to increase the cut and to bring the total allowable cut out of the woods.

I also find it strange that a department that sells and returns to the department three to five times the cost of operating of that department on the log sales, that that money goes into a general fund. It does not go back into the department to get the total allowable cut that is a good cut as well as to increase the reforestation, that is not being done, building the roads that are necessary.

It would seem to me that if we would work to our full potential on the amount of allowable cut that we have, that the profitmaking amount of that money going back into the department, that we could supply both our domestic needs and our foreign needs. We wouldn't be cutting down anything.

We do not destroy our forests. It is a product that is built back in by replanting year in and year out.

We do not cut to the capacity that we should, nor do we use the modern methods.

It still amazes me with the money that is available and not used and the money that could be used, that we could not meet our domestic needs and our foreign needs by simply taking at least half the profit from the log sales and putting it back into the department and increasing our cut all through the entire national forests.

You have a lot of information put to you, and you are well-versed on what the facts are. It would not be up to me to belabor that

point. I am a very small builder. I build 32 to 40 homes a year. I'm building a house right now—a series of houses in the Casa Blanca area of South City at Riverside. And a rise of just a couple of hundred dollars in my houses, in the prices, have actually caused people not to be able to qualify in the area I'm building in, which is a Mexican-American area; \$1,200 puts it completely out of reach.

Now, out of my total traffic for sales in my houses, which would be about 175 people over a period of 3 months, only two have been able to qualify. And they very narrowly did.

The prices on my houses have risen—for the 32 houses—in the short period of 3 months, something like \$16,000 for 32 houses, \$500 a house.

Now, when you're talking about \$1,200 increase per house, you're pricing people completely out of the house that can't hardly stand a \$100 increase.

Like I say, I'm a small builder.

You have our information before you, you have my statement. Thank you.

[The full statements of Mr. Clark and Mr. Shinn follows:]

STATEMENT OF JOHN B. CLARK, JR., PRESIDENT OF CALIFORNIA BUILDERS COUNCIL

I am John Clark, President of the California Builders Council, a statewide organization composed of 10 area Builder Associations within the State of California. Our members produce approximately 75% of the housing and light construction in the State of California.

The California Builders Council is an organization representing the home building industry in this state. Because housing producers use such a large share of lumber, plywood and other wood products, our industry has been heavily hit by the recent severe shortages in the supply of lumber and plywood and the rapidly rising prices of these items. Our industry is deeply concerned over the inflationary impact these rising lumber and plywood prices are having on the cost of providing shelter, and we believe that every reasonable step must be taken to preserve this important natural resource in order that these materials may be obtained at reasonable prices to meet the housing needs of our people.

Therefore, we request assistance through any reasonable means at your disposal to take action to curtail shipment of logs overseas and to increase the cut on Forest Service lands to reduce the shortage of softwood logs, lumber and plywood.

Unlike many other products where the cost of manufacture is the principal determinant of price, the price of lumber and plywood is heavily affected by supply and demand. Thus, the shortage in the supply of logs, lumber and plywood is vividly reflected in the skyrocketing prices of these items over the past two years.

MILL PRICES

One excellent indicator of heavy demand for lumber and plywood is the spiraling mill price of framing lumber and plywood at West Coast mills. A 104% increase in Green Douglas Fir 2 x 4's in the two years between February 1971 and February 1973; a 90.2% increase in kiln dried Hemlock and Fir 2 x 4's during this period; and a 102% increase in 1/2" exterior plywood. This rise has become even more severe as inventories of these materials virtually disappear and we enter a third year of high demand. Average weekly mill prices in January, February and early March of this year alone have increased 24% for kiln dried Hemlock and Fir 2x4's, 17% on 1/2" plywood, and 66% on 1/4" sanded plywood.

RETAIL PRICES

Similar, if not steeper, increases have occurred at the retail level where most home builders acquire their lumber and plywood. Our Association mem-

bers from all over the State are reporting price increases of tremendous proportions on essential wood materials for housing construction. In an effort to identify the extent of the problem, our Association surveyed its membership to identify the extent of these increases in the past two years. Selected data from this survey also includes details, substantial price increases throughout the State and one report that $\frac{1}{2}$ " plywood increased in price by 190.7% between mid-August 1971 and mid-January 1973.

STUMPAGE PRICES

According to 1970 figures published by the National Forest Products Association, about 31% of the total volume of softwood timber harvested is cut from land owned by the United States Government. It is sold to buyers by auction. Heavy demand for lumber and plywood and shortages of supply affect the prices bid and paid for Federal timber. These stumpage prices provide an excellent barometer of rapidly rising prices for all timber cut from both public and private lands. As with wholesale and retail prices of lumber and plywood, there have been marked jumps in stumpage prices paid for timber on Federal forest lands.

Not only do these soaring prices reflect a severe shortage of supply for all domestic uses from both public and private lands, but rapidly rising timber, finished lumber and plywood prices have the psychological effect of encouraging keen competition and abnormally high bids at Federal auctions and, as well, high offers for nonfederally owned timber. Additionally, with respect to privately owned timber, accelerating price increases encourage the withholding of timber from sale in anticipation of even higher prices in times to come.

According to the latest figures available (through the third quarter of 1972), stumpage prices jumped by 87% between 1971 and 1972. Monthly stumpage prices for 1972 in the Douglas Fir Region of our Federal forests provide a better view of the increasing competition for a limited supply of logs which has, in recent months, driven stumpage prices to an all-time high. In one month, between November and December of 1972, the price jumped by 40%. Whereas the top bid had been \$40 to \$50 per thousand board feet in the first three quarters of 1972, it began to rise in the fourth quarter, reaching a level of \$84.25 in December. Competition for these logs was so keen that in November, buyers were willing to pay \$16.20 above the advertised price, and in December they paid \$33.43 above this price. In earlier months, the range was only \$4 to \$9 above the advertised price. It was late in 1972 that purchasing activity for export purposes began to accelerate, driving the price of timber from public and private sources skyward.

SUPPLY PROJECTIONS

Work by the Department of Agriculture in preparing its report on the "Outlook for Timber in the United States, a Report of the Findings of the 1970 Timber Review" (Review Draft, issued December 1972), further verifies the proportions of the supply shortage, and shows that our nation can look forward only to further problems in meeting domestic demand. The Report characterizes the softwood sawtimber supply problem "as the most serious and immediate." Its projections of future supply indicate substantial shortfalls in timber supplies in the forthcoming years, and increasingly heavy reliance on imports of lumber.

Adding to the shortness of supply resulting from present heavy demand and the prospects for even greater demands in the years to come is the fact that, because of various pressures for other uses of forest lands, the future timber growing base in this country has begun to dwindle. The Report projects a continuation of this trend, and shows that our nation is increasingly becoming unable to supply timber to fulfill its own needs.

IMPORTS

Because of the severe shortage of supply of lumber and plywood from domestic sources, our imports of these materials have shown a marked increase. Whereas we had been importing 4 to 5 billion board feet of softwood lumber in the 1960's which represented about 15% of our consumption, we imported 7.2 billion in 1971 and nearly 9 billion in 1972. This 9 billion board feet represents about 22% of United States lumber consumption.

Current exports of softwood logs and lumber are abnormally high and are causing an excessive drain on the nation's supply of these materials. Despite increasingly heavy demands for lumber and plywood at home to supply the high rate of construction activity, exports of softwood lumber and logs have not decreased to compensate. In fact, they are increasing substantially and have heightened the critical problem posed by a lumber and plywood shortage. Softwood log exports, for instance, averaged 2.42 billion board feet in 1968 through 1971. They increased by 26%, to 3.05 billion board feet in 1972, a year of record housing production. Exports have continued to rise, as exemplified by the most recently available figures, which indicate that January, 1973, exports were 26% above January 1972 exports. Prior to 1968 exports were considerably lower. They were only 453 million board feet ten years ago in 1962.

RECENT ACTIVITY

Of particular significance is the stepped-up purchasing activity of Japanese log buyers in late 1972 and early 1973. Spurred by a building boom and lumber shortage in Japan, Japanese buyers are frantically vying for American logs. In so doing, they are paying exorbitant prices, making competition for logs for domestic use even more keen, and impairing the wood products industry's present and future ability to supply lumber, plywood, and other wood products for domestic housing needs at reasonable prices. In 1972 exports to Japan represented 83% of all log exports, with the remainder spread thinly throughout the world.

However, an examination of what is happening at auctions for timber to be cut off of Federal lands sheds some light on the extent and serious impact on prices of foreign buying pressures. Total timber sales to foreign purchasers from Federal lands is restricted by law, however, all sales are open to purchasers buying for export purposes. Thus, reports of bidding activity and the ever increasing top bids for Federal timber provides a valid indication of the impact on price and supply of abnormally high foreign demand both for Federally owned timber and all other timber.

FEDERAL TIMBER SUPPLY

The Agriculture Department's "Report of the Findings of the 1970 Timber Review" states that demand for softwood timber is projected to rise above sustainable softwood log harvests by a wide margin under current levels of forest management. Softwoods needed for lumber and plywood for housing, other construction and various other markets is, according to the Report, our most serious timber supply problem.

The shortage of supply is heightened by the fact that the actual harvest from Federal forest lands, representing about one-third of the supply of softwood sawtimber, falls substantially below the allowable cut each year. The allowable cut has remained fairly constant through the years, but the shortfall has recently been increasing. Several reasons are given for the widening disparity between the allowable cut and actual sales, including resistance by environmentally oriented organizations to the use of our forest lands for lumber production and insufficient funds for forest management. Perhaps these and other impediments to a fuller use of our forests will be reconciled in the future, but as things now stand, our nation faces a dwindling supply base of this raw material and vital natural resource.

Curtailement of log, lumber and plywood exports would reduce the inflationary impact on the economy of high lumber and lumber products prices. Spiralling lumber and plywood prices have already been discussed and demonstrated in detail. These increases, which are far above our nation's anti-inflationary goals and guidelines, have taken place during a period in which our economy has been subject to strict wage and price controls under the Economic Stabilization Act of 1970. For many reasons lumber and plywood prices have not responded to Federal guidelines as did the price of many other goods and services. On top of this failure of lumber and plywood prices to adhere to restraints, various changes in regulations issued under Phase III of the President's efforts to control the economy, which began in January and their interpretation have permitted lumber and plywood prices to undergo even sharper increases.

The inflationary impact on housing prices of these increases has been very severe. Because it constitutes so large a percentage of the cost of building a new home, about 18% to 20% of the total cost of the average house, signifi-

cant increases in lumber and plywood prices have a direct, immediate impact on the cost of housing. In addition, the price increase in lumber and lumber products is far in excess of that for other materials which go into the structure of a home or apartment.

Stabilization of lumber prices, holding the line on housing costs, and achieving our housing goals are of primary importance. As a nation, we are firmly committed to decent, safe and sanitary housing and a suitable living environment for all Americans. The history of Federal housing legislation amply demonstrates the high priority we have placed on meeting that commitment. It also shows a particularly strong concern for and attention to the housing needs of those of low and moderate income through the establishment of various assistance programs to bring housing costs within the reach of more American families.

Our national housing goals relate to both quality and quantity of shelter needed by American families. In 1949 Congress established the policy that there should be a decent home and a suitable living environment for all Americans. This goal home and a suitable living environment for all Americans. This goal was re-emphasized and quantified in 1968 when Congress established a 10-year goal for achieving the policy stated in 1949: 26 million units were to be built or rehabilitated, 6 million of these for low and moderate income families. The average production to date has been far short of the average of 2.6 million units a year needed to meet the 1968 goals.

These goals have been placed in severe jeopardy by substantial increases in housing costs brought about to a significant extent by rising lumber prices. Thus, permitting a limited natural resource, timber, to be siphoned away by exports to meet the housing and other needs of foreign nations operates in direct conflict with the achievement of our own national housing goals. There is no question but that priority in allocating this resource must be given to meeting the housing needs of the American people.

STATEMENT OF THURSTON A. SHINN, JR., PRESIDENT, BUILDING INDUSTRY
ASSOCIATION OF CALIFORNIA

Senator Cranston, Senator Packwood, members of the Senate Banking Committee, I am Thurston A. Shinn, Jr., of Placentia, California. I am a home builder in Southern California, president of the Building Industry Association of California, Inc., and Chairman of the Lumber Committee for the California Builders Council.

I appear before you today as representative of nearly 4,000 builders and associates who are the members of the 10 California construction associations that belong to the California Builders Council. These 10 associations are also members of the National Association of Home Builders which now has a membership of over 68,000. I am sure you are very familiar with NAHB and the lumber crisis as they have been working on this dilemma for the past several months. Therefore, we wish to take this opportunity of thanking you for allowing us to appear before your Committee and hope that remedial measures will be immediately instigated to help solve our lumber shortage and runaway prices.

I realize that you have been besieged by facts and figures showing you where the timber is going and why the lumber prices have been spiraling upward. I believe it would be redundant for me to repeat the facts and figures, therefore, I hope to appeal to your sense of responsibility to the American homebuyer—especially the low income family homebuyer and to the American construction man—whether he be union or management—who wants to maintain his job.

I realize that S1033 is a bill that would amend the Export Administration Act of 1969 but the effective date of January 1, 1974 is too long to wait. We need emergency legislation now, because low income families are not now able to afford new homes because of high cost. We must appeal to you two Senators today in hope that through your efforts the Congress of the United States will immediately put an embargo on timber exports and take action. This is what we need today—an embargo as proposed in S1033.

It is already very late in 1973 if you intend to ward off an economic depression in the construction industry, in the lumber producing industry, and in the

overall economy of our nation. Labor is faced with critical layoffs and builders are faced with severe shortages coupled with runaway prices.

We support your Bill S1033 but plead with you to move forward with your fellow constituents to enact an immediate embargo and effect some immediate relief.

Next, a solution to the long range problems. Important to the eventual solution of the problem is the Forest Service. We deal here with factors involving the Service and approaches that are likely to be fruitful.

THE SITUATION

1. Construction of access roads and reforestation would be most affected by proposed budget cuts for fiscal year 1974. Although the impact would be most heavy 2 to 3 years from now, the immediate psychological effect would be considerable. Seeing less available timber ahead, lumber mills would be reluctant to over cut or to make capital improvements.

2. Manpower cuts at the Forest Service have put the agency at the 1964 manning level, with another 1,500 individuals scheduled to go by June 1974. This has naturally affected employee morale, particularly those in field work and forest management. Furthermore, this precludes the bringing in of new and fresh manpower skills and ideas.

3. Continued budget cuts at the Forest Service over the past several years, coupled with increasing environmental costs for "Impact Statements" and legal actions, have resulted in a yield of less timber per budgeted dollar and an impression of growing inefficiency. This makes the Service a target for still further budget cuts, which would make for still lesser yield of timber. This is a dizzying spiral downward.

4. Administrative and legal delays have tied up about 1.8 billion board feet of saleable timber.

5. For budget reasons, salvage timber in sizeable quantities has not been harvested and prepared for sale.

6. Small timber owners have not yielded to entreaties to increase their stands. Nor has the Service been able to do much to advance technology of small millers to increase yield from the log.

7. In the light of reduced sales and budget cuts, millers are operating their mills geared to estimated timber sales while taking advantage of high lumber price possibilities.

SOLUTIONS

1. Concentrate on how to expedite the sale of the full allowable cut and the quick cutting of these sales. Timber sales should be announced 2 years in advance to spur a feeling of confidence by the industry.

2. It appears that currently as much as 25% of the logs sold on the west coast are being exported. We believe that long term policies with regard to utilization of U.S. resources in tight supply must be carefully studied. Millers, seeing less available timber in the future will be reluctant to overcut in time of high demand. Their desire is to maintain a relatively stable reserve of standing timber as a reliable source. Psychology plays a very important part in the business planning of these millers who know from experience that they need firm log commitments to cover their inventory requirements.

3. The remedies mentioned above are more or less makeshift. The problem is long range and deeper solutions must be sought to level the peaks and valleys. The prospects for housing starts in the foreseeable future required a high but sustainable timber yield. With proper forest management such a yield is not only possible but could be increased. And this, even while continuing an active Wilderness Area and recreation program. Here are some considerations:

A. Full support is needed for the objectives of the Forest Incentives Act of 1973 (HR 2904, 2905). It is estimated this program would plant an additional 4.5 million acres and improve the stand on 6.25 million more acres in the first 10 years. This could yield a useable harvest increasing to 2.45 billion log feet annually by that time. The program also benefits the small forest holder. This gives him an incentive to perform efficiently.

B. A way must be found to get small mills to use the new techniques and equipment, developed by the Forest Service which could increase useable lumber from a log by as much as 50%. The larger and more sophisticated millers use these techniques but many of the smaller ones don't. If they did they could increase the useable lumber per log foot from 1.2 board feet to as much as 1.65 or 1.7 board feet. It would require a pilot project and although the

Service has requested the funds they have never been forthcoming. The project must be pushed—funded and implemented.

SUGGESTED METHODS

Both short and long term yields could be increased through the following approaches:

- 1. To get the yield up, salvage timber could be marketed next year, an estimated 700 million board feet of it.
- 2. Offer the full legal allowable cut for sale next year, (the FY74 planned sale is approximately 10 million board feet, over 3 below the allowable,) and sell the allowable cut backlog, (our information is that some 11.8 billion board feet may remain unsold.)
- 3. Shift personnel and funds within the Service to get the yield trend started upward.
- 4. Adopt a continuous program of sales of salvageable timber. This is a matter of policy now but funds usually are not available for offering.
- 5. Move more rapidly on reforestation: use 2 year seedlings, for example, rather than waiting for natural replacements.
- 6. Free up the 1.8 million board feet now delayed for legal or administrative reasons.
- 7. Consultants should be used to prepare near term sales until the service is sufficiently staffed in the field.
- 8. The 4.5 million acres of Federal land now fallow should be reforested. Congress has appropriated for this in the past but it seems to be consistantly stricken from the budget later.

THE LONG HAUL

What is really needed is a national commitment toward reasonable, attainable, and expanding Federal forest yields. The Forest Service's basic plan is keyed to industry faith in properly stated sales goals, continued appropriate funding and additional personnel, and most important, an assurance that the Government believes in these goals, so that the industry accepts them as creditable and can see sustained yields ahead.

The Forest Service must be allowed to use *some or all of their sales revenues for their own operation and especially to further develop their overall program toward expanded National Forest sales goals.* The present system of a budget exercise each year coupled with nominal cutbacks is extremely inefficient. Unlike other budgeted programs the Forest Service does return substantial dollar amounts to the Treasury, usually 3 to 5 times its budget (see table). It makes no economic sense to curtail the profit incentive. A precedent for this has been established by Congress. Authority for receipts from Recreational Areas can be used by the Forest Service, although this program as yet is not developed. This notion, of course, will probably require legislation and therefore is not near term. It is important, therefore, that we begin now with strong support for this idea in order to get such legislation in the shortest possible time.

As chairman of the CBC lumber committee, I wish to thank you for the opportunity of allowing me to appear before you today.

Fiscal year	Financed volume (million board feet)	Actual volume sold (million board feet)	Value of stumpage	Allowable harvest (million board feet)	Timber receipts (dollars (millions))	Timber sale appropriations (dollars (millions))
1965	10,933	11,511	\$198,185,066	12,725	138.8	30.4
1966	12,000	11,383	226,014,528	12,993	164.9	30.8
1967	11,800	11,655	208,603,585	13,060	172.8	34.5
1968	12,280	11,652	274,253,980	12,980	205.6	36.7
1969	12,790	18,931	502,140,808	13,552	306.8	39.4
1970	13,690	13,382	317,302,594	13,538	283.9	48.5
1971	12,395	10,636	215,299,552	13,674	217.0	55.5
1972	12,395	10,340	328,436,311	12,631	330.0	263.6

¹8.75 Alaska.
²Includes Silviculture examinations not previously included in this appropriation.
Fiscal year 1969-70 Sierra Club suit and other requirements began. Impact statements began about this time also.

Mr. CLARK. Mr. Morrison.

Mr. MORRISON. Mr. Chairman and Senator Packwood. Even if we get this embargo, I certainly hope we do, we've got other problems. And I want to take—because this is a long-range problem that's not going to go away. It's already stated that lumber is in short supply all over the world.

All you have to do is go to the Middle East and see what's happening. Or even go to Japan, where I was last October, and see.

Japan, incidently, is reforesting and they're not cutting any lumber. They're importing it all—practically all.

They're also using steel and aluminum.

I went through a plant there, a very large plant, Diwall Housing. It has 13 plants around Japan. They are exporting housing to Southeast Asia. So our lumber is not only going to take care of housing in Japan, but also in Southeast Asia.

But basically, I want to raise the question of why the Forest Service is on such a starvation budget.

Last year, I understand that they collected \$325 million for the timber that was sold—stumpage that was sold on Forest Service land. Sixty-five percent of that went into the general fund, and the rest—and 25 percent went to the counties where the timber was cut, less than 10 percent of it went for reforestation. Senator Packwood gave the figure for making trails and roads, which are necessary now, not only to get the timber, but also to protect the forest from fires and disease.

Now, timber is a crop, although it takes a long time to grow. It might be 80 to 120 years.

If we're going to think about our children and our grandchildren, and not just what's happening in 1973 or 1974, we've got to reverse this method of operating the Forest Service. We should treat it like a crop. We should have people working on the seed. We should have people working on the diseases, that are killing lots of trees. And we should improve the yield that we get from our forests.

Also, this would help to make more—if more money were made available or were put into a revolving fund, like the Federal Highway Fund, this money could be used to improve recreation facilities and access of the public to the outdoors, like Mendocino and places in the States of Oregon and Washington.

I feel that the Forest Service is a stepchild. It doesn't have a large constituency, therefore it doesn't get the money that it should. So when they put a few hundred million dollars in the Federal trades that goes into the general funds, it's peanuts, when our budgets are in the hundreds of billions.

So this is what I would urge: That we try to take a long-range look at this matter, and really grow timber as a crop.

I was in Israel several years ago. I was amazed to see what they are doing in the way of removing boulders and rocks as big as this room to reforest their land—land that hasn't had a tree on it for centuries.

I'd like to back up a minute to what Senator Packwood said about Canada. They are very concerned about husbanding their natural resources. They realize that there is a shortage of—power shortage,

and they are limiting the exports of oil and gas to the United States.

With this concern, they may—with the knowledge of natural resource depletion—they may limit the logs or the lumber that is imported from Canada to the East, which means we'll be bidding against the Japanese for Canadian supplies, when we do everything we can, in this country, to retain our natural resource.

I ask you: Would we be exporting our oil and our iron ore and other things to Japan?

Senator CRANSTON. Thank you. Have you completed?

Mr. MORRISON. Yes, I have.

Senator CRANSTON. Thank you very much each of you for your testimony. I very much appreciate the brevity. The written statements will go into the record.

Bob, do you have any questions?

Senator PACKWOOD. Your last statement about oil and other natural resources was very good. Under the Export Control Act, we have, from time to time, restricted the export of copper, chrome, black walnuts, at one time, because there wasn't enough to go around.

Senator Cranston and I have asked the administration to exercise the power they have now under the Export Control Act, and they could restrict the export of logs. They haven't responded yet. But any rational policy would normally dictate that you don't export raw materials that are in short supply.

Mr. MORRISON. I'm concerned, Senator, that there's no ecologists here. I think that they would be concerned about what happens to our forests.

Senator PACKWOOD. I can assure you they are. The Sierra Club, the Friends of the Earth, and Izzak Walton, are on the side of restricting log exports.

I have no questions.

Senator CRANSTON. Dean, do you think we should consider a system where there would be an incentive that every time a tree is cut down it is replaced by a new tree?

Mr. MORRISON. Well, in a general way, yes. I think that there would be exceptions, but it certainly can be done.

I was in Seattle, Wash., as a contractor and homebuilder during World War II, and we were all using, practically, second-growth lumber from St. Paul and Tacoma Lumber Co., which is a subsidiary of Weyerhaeuser, or Simpson Logging, Pope and Talbot—that was all second-growth lumber. Those companies have made money out of tree farming. And the Federal Government could do it too, if they would. And they have been doing it, to a small degree.

But my contention is that it isn't nearly enough. The Forest Service is concerned not only with lumber, but with grazing rights, cattle, sheep. They have all kinds of duties, and they have a very small budget for the rapidly growing population that they have.

Senator CRANSTON. Is the freight car shortage giving you problems in getting lumber on time?

Mr. MORRISON. No, it is not, but it is in the East. Let me say though that we are buying—we just signed a 90-day contract to buy some lumber, primarily because we want to help. We don't even

know if we're going to be able to get the lumber. If we're building a home, if you're committed, the price goes up \$100 or \$200, well, you have to pay it. And you're just out of business, if you don't have the lumber.

Senator CRANSTON. How do you handle your pricing, due to the uncertainty involved in the lumber portion of the price of a home?

Mr. MORRISON. Since we sell a good many homes before they're actually started, we guess. And sometimes, we guess wrong. And could lose money or could take a lesser profit than we really require to stay in business.

Senator CRANSTON. Up to this point, have you slowed down your own homebuilding because of the cost?

Mr. MORRISON. It definitely has hurt building. There are fewer homes this year than last year, about 25 percent.

Senator CRANSTON. Is that because of this situation?

Mr. MORRISON. That's one of the contributing—it's the biggest contributing factor. There are others.

Senator CRANSTON. How many jobs will that cutback cost in the building trades?

Mr. MORRISON. Ourselves, I would say, maybe, 20 carpenters and plus all the subcontractors, and of course, the—it will have effect in the furniture business, the local merchants, and so forth.

Senator CRANSTON. John, do you have any comparable figures for the State? How much slowdown has there been thus far in homebuilding?

Mr. CLARK. No, sir, Senator, we've not been able to pinpoint that exactly, for the strange circumstance, that California is extremely wet in the winter season, which has contributed in some way to the slowdown. And it's hard for us to pinpoint this particular figure.

But one thing that hasn't been noted here is that the delay in lumber shipments has stretched the construction period of homes to a point where the construction interests going on it has helped drive all the profit out of construction. We find a great loss of subcontractors, especially those supplying wood products to us on the job site. The bankruptcies are increasing at an alarming rate, due to the slowdown inability to turn their dollar.

Senator CRANSTON. Thurston, on page 2 of your statement you mention that psychology plays an important role in timber pricing and planning. To what degree do you believe recent price increases are based on planning assumptions, which are inaccurate in the long run, if not the short run?

Mr. SHINN. Well, it's hard to put a figure on that, but I would say basically with the starts and everything, probably about 10 percent for my members. We have 1,400 firms that belong to my association, of which 650 are prime contractors, and 45 percent are in the merchant industrial field.

But actually, psychology is a factor because builders are basically those types of people that follow a trend. And when you move into an area of building and supply and so forth, they seem to kind of start a movement, and anything that will come in that will cut back on the supply of materials for that area, actually is taken into consideration.

We found in our association—and this is just a rough estimate we made by sending out a questionnaire—that about 10 percent of our starts in the southern California area have been abandoned because of the cost factor on them.

Senator CRANSTON. Dean, did you have something else?

Mr. MORRISON. Yes, I do. I would like you to hear John O'Brian, who is with the Ken Hoffman Construction Co. He has just returned from 4 days in Oregon, trying to buy lumber, which he was unable to buy in California. I'm sure that he can make it quite brief.

Senator CRANSTON. Would you state your name for the record, please?

Mr. O'BRIAN. It's John O'Brian, Senator Cranston and Senator Packwood.

STATEMENT OF JOHN O'BRIAN, KEN HOFFMAN CONSTRUCTION CO.

Mr. O'BRIAN. In my travels this past week I was fortunate enough to have the radio tuned in to the—a Dallas station, and I did hear almost all of the 6 hours of broadcasting. I really found it most interesting and most educational. I think if I could have a wish, I'd wish it were available for the members down here, because I'm afraid there are other problems in this that I'm afraid you do not understand down here.

I am now a large production builder and been with Ken for about 6 years.

We're going to have about 1,000 houses this year, and they're mostly single family. That means that as a consumer we're about 10 million board feet of lumber and about 6 or 7 million feet of plywood, that we're a factor in the market.

I ask humbly that the following—it's much more broad scoped than this—but I ask humbly that these—all of these considerations that have been discussed in Portland and Washington, D.C., and Seattle and so on be given good solid thought. This is not just a problem here for the builder. What the heck, the barn door is open, we're trying to close it.

But what we're really trying to do, I believe, is solve it for the next 4-year cycle. Am I right or wrong? Correct.

We can't forget the independents, the Pete Murphys and the Clark Millers, who are the backbone of your States up there, of Oregon and Washington. We cannot.

As we lose these every year up there, the Hoffman Co. has heard it, so has Senator Packwood and so has Senator Cranston, when we lose people like this, it gets fouled up, because they can't compete, because we don't get logs.

We do have a problem with labor here, but when Mr. Bridges talks about 3,000 jobs being lost up there and he throws a strike in your face just to show you his muscle, and the day I was in Portland—I left Portland, he threw a strike in your face to illustrate his muscle.

Well, getting back to labor problems, I've got people down here who are out of work and who can't afford the houses that they build.

And 90 percent of the people who work in Contra Costa County for the city of Concord or the administration of the county, can't afford the house in Contra Costa County. That's a severe problem.

We've got political pressure facing you from the State of Washington, because they've got 12 ports there. And as I heard from the testimony, there's one port there that's got \$500 million, not exactly, I think it was \$485 million, \$500 million worth of revenue bonds that they're very proud to say that they are not going to stick the taxpayer with. But I believe there's unbelievable pressure on you, if they don't get logs to export out of the Port of Tacoma, then who is going to pay for this \$500 million worth of revenue bonds.

Senator CRANSTON. I'm afraid you're going to have to be very brief.

Mr. O'BRIAN. I'd like to summarize briefly that if you gentlemen wish to get a panel of the various people who are involved in this together, to try to get their heads together and solve this problem for the next cycle, I think we ought to have better communication in our industry with the manufacturers to let them know what our programs are for the coming year. We have good crystal balls, we hit it pretty close.

I think we ought to have means where we can solve some of the problems. Senator Packwood, that you have in the Ponderosa pine forests, which are now sitting there idle, because the particle board industry has taken over the cabinet supply.

I think that these are some of the broad scope and some of the intricate problems that ought to be thought of in this investigation and should be discussed to solve the next cycle. The next cycle is going to hurt.

Senator CRANSTON. I assure you that we are trying to get at all aspects of this, because we know it is very intricate and very complicated.

I turn back to you, Mr. Clark, and ask you if you would comment on Harry Bridges remarks which I call to your attention, about how when exports were down prices went up. Can you explain or comment on those statistics from him?

Mr. SHINN. One of the explanations is that in those years, 1969 particularly, starts dropped drastically. And there were—was lumber available that was exported. At the same time that these starts dropped, interest rates went up drastically.

So you had a supply on the home market that meant that there were logs available for exporting, and Japan did buy those logs.

Another thing, the logs that Japan buys, some of it is what we call second-choice lumber in the United States. That is a type of lumber that Japan uses more of than we do, in this country. Therefore, some of the types of lumber, of the first choice, in this country, was in short demand, and prices were high, relative to the interest rates and so forth. So the prices of lumber for that particular area did go up.

So as a correlation between the two, as to starts and interest rates, as well as exportation that creates it. So it's not just a simple fact that if you export prices go up, if you don't it goes down. There are other factors that go into it.

Senator CRANSTON. What do you feel would be the impact on lumber prices, if we placed an embargo on the export of logs, and Japan then proceeded to purchase processed timber from us?

Mr. SHINN. Well, basically, I think that, in my own opinion, that this year—I really feel that in this year my industry is like a buffalo, bull, or elephant that has been shot dead, and the only thing that's really keeping us going is the momentum of the weight of the animal. And I don't think that it's really this year going to see anything that helps us, next year we will. There is a lot of truth in what Mr. Bridges stated of supply and demand.

We had a fantastic demand—domestic demand. We had 2.4 million starts last year, which was an alltime record.

Japan had the same problem. So you have both of us competing for the logs.

If our starts drop off and embargo is on, then prices would drop, in my opinion.

Senator CRANSTON. Thank you very, very much. It's been very helpful to have you with us.

Our next witness is Tom McNamara, president of McNamara & Peepe Lumber Co., Crescent City, Calif.

I am delighted to have you with us. I would appreciate it if you would introduce those who are with you, for the record.

STATEMENTS OF TOM McNAMARA, PRESIDENT, McNAMARA & PEEPE LUMBER CO., CRESCENT CITY, CALIF., ACCOMPANIED BY JOHN KELLY, GENERAL MANAGER, BONNIE STUDS, ARCATA, CALIF.; MEL McLEAN, OWNER OF EEL RIVER SAWMILLS, FORTUNA, CALIF.; FRED PEIRSON, GENERAL MANAGER, STANDARD PLYWOOD CORP., CRESCENT CITY, CALIF.; AND JOHN DAVENPORT, WESTERN FOREST INDUSTRIES ASSOCIATION, CALIFORNIA REGION

Mr. McNAMARA. Mr. Chairman, Senator Packwood, our statement has been submitted for the record.

Senator CRANSTON. Yes, that will go in the record.

Mr. McNAMARA. I am Thomas McNamara, president of McNamara & Peepe Lumber Co., Crescent City, Calif.

Today I'm speaking in behalf of independent sawmills and plywood plants in the north coastal section of California from San Francisco to the Oregon border. Basically, these mills do not own timber, but purchase timber or logs from Government agencies and from owners of private timber.

This region is faced with a critically shortened supply of timber. Not only is private timber increasingly hard to acquire, but environmental concerns are restricting the sales of publically owned timber. In the Del Norte County area, roadless areas and the need for environmental impact statements have cut the U.S. Forest Service timber sale program back drastically.

Late in December, Mr. Chairman, a dramatic change in our region occurred. This is why we're here today. Log exporters who work with Japanese trading companies substantially increased log purchases and prices. So that you may have the benefit of the experi-

ence of our industry. I have asked several operators and industry representatives to sit with me and speak briefly to the various aspects of the problem.

We welcome your questions.

First, I would like to introduce the gentlemen that are with me.

I have on my right is Mr. John Kelly, general manager of Bonnie Studs, Arcata, Calif. Mr. Kelly is also president of the West Coast Lumber Inspection Bureau.

Mr. Mel McLean, owner of the Eel River Sawmills, Fortuna, Calif.

Mr. Fred Peirson, general manager of Standard Plywood Corp. in Crescent City, Calif.

Mr. John Davenport, Western Forest Industries Association, California Region.

I would like to ask Mr. Kelly to make a short presentation, at this time.

MR. KELLY. Mr. Chairman, Senator Packwood, this statement was prepared on behalf of 20 independent sawmills and plywood plants in northern California.

The logs which supply these mills come from timber growing on privately owned timberland in Del Norte, Humboldt, and Mendocino Counties, as well as from Federal timber in the Six Rivers, Mendocino, Klamath, and the Trinity National Forests.

Until December of 1972, the log exports from northern California represented a relatively small volume of logs shipped through the Port of Eureka.

Since December, Japanese exporters have aggressively expanded their acquisition of logs, thereby altering the log price and timber supply structure of our region. Northwestern California contains the last large stands of privately owned timber in the United States, which, up till now, have not been raided by log exporters.

Unfortunately for us, the Japanese have come in here and are about to take over. Unless Congress can pass legislation successfully controlling log exports, the prices now being paid by the Japanese interests will make it impossible for sawmill and plywood producers to purchase logs to manufacture into building products priced for the domestic market. This will have a devastating effect on the building industry of California, since most of our lumber and plywood that we produce flows into the California market. It amounts to about 1 billion board feet per year.

Until now, log exports have only represented 2 percent of total California production; however, the arrival of new buying pressures has affected the entire log market of northern California. Except for small amounts of timber under contract held at lower prices, manufacturers must pay today's price for logs, prices dictated by exporters, or give up producing the product.

I have some information here that I think would be kind of startling to you, it was to me, when I broke it down to present to you.

Let me give you a concrete example of log costs. I'm speaking of our firm.

In March of 1972, we were paying \$83.50 per thousand board feet for Hem-Fir. Now this is logs. And we were selling the Hem-Fir studs for \$112 per thousand board feet.

In March of 1972, just this year, Hem-Fir logs cost us \$173, and we sell Hem-Fir studs at \$160.

In March of 1972, Douglas Fir logs cost us \$99.75, and we were selling Douglas Fir studs at \$119.

This year, Douglas Fir logs cost us \$168 per thousand, and we're selling studs at \$167.

In March of 1972, redwood logs cost us \$88 per thousand board feet, and we were selling studs at \$114.

This year, the redwood logs cost us \$168, and we're selling studs for \$166.

Experts have claimed our market cannot utilize white wood such as Hem-Fir. Mr. Chairman, let me tell you that we can use every log that we can get our hands on, and the domestic market will take it.

Thank you.

Senator CRANSTON. Thank you very much.

Mr. McNAMARA. Mr. Chairman, we feel an immediate embargo on log exports would help the lumber and building industries immediately. However, we support your bill, SB 1033, in principle, but urge that it be strengthened in three ways:

First, the cutback in log exports should be started sooner and completed or phased out in three years; an immediate embargo on all Federal timber;

Secondly, the phase out should be controlled by custom districts and ports. Each port should have its volume or quota based on the percentage of total log shipments for 1972. This is absolutely vital for us in California, since this is the last major untapped timber source. Any bill Congress passes must emphasize the fact that log exports must not be allowed to expand into California. Quotas by historical patterns of exports must be made mandatory;

Third, while it may not affect us as producers directly, any ban should consider quotas on lumber export volumes also. Not to consider this aspect of the problem will lead to increased lumber exports and nullify the effect of the log ban on the domestic market. Lumber quotas should be flexible to recognize shifts in supply and demand.

Some have advocated increased Federal timber sales and a strong substitution rule as the answer to the log shortage dilemma. Obviously, more Federal timber will help in the long run, but such an approach leaves all private timber free for the export trade. Again, since most timber in this area is privately owned, it will be exported in increasing volume. For example, if the present export limitation on Federal timber—350 million board feet—is eliminated in Oregon and Washington, exporters will move directly to California to get it back from private timber stands in California.

Mr. McNAMARA. At this time, I'd like to ask Mr. Fred Peirson of Standard Plywood to speak.

Mr. PEIRSON. Senator Packwood, Mr. Chairman, I will make it very brief.

Senator CRANSTON. Thank you.

Mr. PEIRSON. I am here to answer questions specifically on the statement on trucking of logs. And I welcome any question on any matter, but I do have some statements to make on the costs, which are not in our brief, at this moment.

Our mill is in Crescent City, Calif., and we can haul from Camas Valley in Oregon, which is halfway between Roseburg and Coos Bay, for \$25.

We can haul from Coos Bay for \$20.

We can haul from Eureka for \$15; from the Orleans District in the Six Rivers National Forest, it cost us \$31.

Strange as this may seem, this is only 40 air miles from our plant, but it cost us \$6 more than to haul from central Oregon.

I am sure that if I could get logs at a reasonable price and quality, I would haul them from Washington, and I could do it at a price which would be comparable to the National Forest. Thank you.

Senator CRANSTON. Thank you.

Mr. McLEAN. Mr. Chairman, Senator Packwood:

There's evidence of price increases, we have enclosed the Humboldt County tax assessor's proposed log value table for 1972 and 1973. Generally, log prices have increased 100 percent, with most of the increase occurring since December of 1972.

The Economic Stabilization Act, as recently passed by the House Banking Committee, proposes to roll back prices to the January 1973 level. If that happens, most mills in this region will immediately face a disaster, because they have now contracted for, or purchased timber in competition with Japanese prices since January of 1973. For example, log exports prices now average about \$250 per thousand board feet. Mills still purchasing logs are still getting the less desirable logs rejected by the Japanese for about \$180 per thousand board feet. If prices are rolled back to, say, \$140 per thousand board feet for lumber, no one can afford to cut the more expensive logs. If no other supply is available, the only alternative is to shut down.

Mr. Chairman, I am familiar with the Puget Sound area. Mill closures have been common there for years, primarily due to log exports. Unless something is done, northern California could end up with the same problem. Thank you.

Senator CRANSTON. Do you have several copies of that statement? I did not get one. I wanted particularly to have that portion that related to the proposed roll back to January, which is under consideration in Washington, and which I first felt sounded rather good, but I'm hearing more and more about this.

Mr. McLEAN. Yes, we have many copies of that.

Mr. McNAMARA. Mr. Davenport.

Mr. DAVENPORT. Mr. Chairman, Senator Packwood:

This Economic Stabilization Act, also has in it a proposed log export control. It's our view that that proposal will not work and it should be killed. It won't work because of the way it fails to deal with substitution.

Now, this issue of substitution. I've enclosed, in addition to this statement, two statements I made at hearings before the California State Senate and the California State Assembly.

At one of those hearings there was a particularly cogent and clear explanation of why substitution rules won't work. And I have a copy of that transcript, which I would like to submit for the record.

Senator CRANSTON. Yes, that will be received for the record.

Mr. DAVENPORT. I would like to briefly comment on Mr. Bridges and his explanation on when they banned the export of logs the price of lumber went up.

What he forgot was that they also banned the export of lumber. So the American market was short about 200 million feet of lumber during that year.

Mr. Chairman, the question of mill capacity keeps cropping up. Yesterday, I contacted all 20 companies represented on this list to ascertain precisely what their situation was for using logs and increasing production. This included 25 separate units, including sawmills, plywood plants, and veneer plants.

Two reported they were operating at capacity.

Seven were operating two shifts. One of these ran 50 hours per week; five were on 40 hours per week; and one was on 32 hours per week. All said that they would work a 60-hour week, if logs were available. In addition, two of these seven reported that they plan to lay off one shift this summer, because log supply has not improved.

Twelve units were operating one shift 40 hours a week. Of these, one had just laid off a shift for lack of logs. Two of these units had just started up this week, after being shut down for over a month, for lack of logs. All of these 12 reported that they would be glad to go to two shifts, and expand activities, if logs were available.

Four units were not operating, due to lack of logs; three of these closed in the last 2 months. All reported log shortages as a basic cause.

At the present time, these mills produce the equivalent of about 1 billion board feet of lumber. They employ about 2,800 people. Payroll is estimated at \$25 million. They pay \$1½ million in property taxes alone.

I estimate, if these logs were available, these mills could increase production by 650 million board feet, or about 65 percent.

Senator CRANSTON, the production of these plants flows generally into the building industry of California. It will be an unmitigated disaster to California builders if their lumber supply dries up. Where will we go for lumber? It's in short supply everywhere.

Senator CRANSTON. Let me ask you a few questions, to each of you.

At what capacity, generally, would you say northern California mills are operating at?

Mr. DAVENPORT. I say, in general, that they can increase production by 50 percent.

Senator CRANSTON. How many workers have been laid off because you can't compete with the Japanese purchase?

Mr. DAVENPORT. Well, in this area—in these mills, it involved about 150 people in the last month.

Senator CRANSTON. One hundred and fifty have been laid off in the last month?

Mr. DAVENPORT. Right.

Senator CRANSTON. How many since January 1st?

Mr. DAVENPORT. That's all been since January 1st.

Senator CRANSTON. What steps do you feel the Federal Government should take to assure the reforestation of private lands, to increase the supply, for the long term?

Mr. McNAMARA. Private lands, Senator, in northern California that are being logged at the present time. I firmly believe the owners are making every effort to reforest as quickly as possible and as sufficiently as possible. They are doing a tremendous job.

Senator CRANSTON. What's been the impact on your operations of the railcar shortages, if any?

Mr. McNAMARA. It has a very drastic effect on our plant. In Arcata, we can't move our lumber out. Our lumber inventory has built up, approximately, from 3 million feet to about 6 million feet of lumber on hand. It converts many of the mills production in the Napa Valley, and probably as far north as Washington. They ship their lumber to southern California and the bay area. It has a tendency to artificially depress the market.

The Midwest and the East, you're well aware of, are starving for lumber. They have no lumber.

Senator CRANSTON. What's been the effect of purchasing patterns on wholesale lumber prices?

Mr. KELLY. Senator, I don't think that makes much difference. Lumber is in such demand. As a matter of fact, we can sell all we can make. So it really doesn't make any difference. The only problem is really getting enough raw material to produce what we need. It's just that simple a fact. We're all in the same situation, and we're running scared. We just don't know how far we can go out.

Senator CRANSTON. What explanation would you give for the very great increase in lumber prices in 1968?

Mr. KELLY. In 1968, I think it was housing starts. All of a sudden—and another factor I think is involved—the builders who are here and also the retail people—they let their inventories get down, hoping that the price of lumber will go down. And then, everybody buys at the same time. And that's why the lumber market is one of the few industries left that you can see the curve going up and down. It's never—it doesn't climb up like automobiles or steel or anything else. It's a fluctuating situation, continually.

Senator CRANSTON. If a ban were placed on the export of logs, do you feel that there would be a decline or simply a leveling off?

Mr. KELLY. I think there would be a leveling off, because we're all committed now, at least for the next year. It would be impossible for us to operate. Because we have to buy our log supply now for the rest of this year and next spring.

Senator CRANSTON. Do you feel there would be a leveling off, rather than a decline?

Mr. KELLY. Yes, I do.

Senator PACKWOOD. Two specific questions. You testified as to the productive capacity of your mills in northern California. Mr. Davenport, I know you have members of your Association in Oregon and Washington, Idaho and Montana. What is the production capacity situation in those areas, generally?

Mr. DAVENPORT. Generally, it's the same as here. They're below capacity. It could increase 40 or 50 percent, generally.

Senator PACKWOOD. Secondly, the argument was raised in Portland and is frequently raised, that there is no productive capacity in Washington where the logs are. The timber is needed in northern California and southern Oregon, and it cannot be trucked that far—

will not be trucked that far because it's not economically feasible to do so. You made reference to your personal experience, but I wonder if you could elaborate a bit more. Would it be economically feasible for you to buy logs in the Portland area or the Longview area and bring them to California?

Mr. PEIRSON. Senator, I made a study over the last 2 years, specifically, because even the drainage that is adjacent to the mill, there isn't sufficient logs for all four plants in that county, so I had to check to find out how far we could go, how far afield. And certain economies occurred. One; mileage, per se, is not the criteria, because we could go Interstate 5, and there's no problem.

If you could take a cargo, for instance in Crescent City, north to Coos Bay, and pick up another one in Eugene and take it on into Portland, that truck would be able to haul back to you for \$30.

So it began to develop a pattern of hauling, which is not clear cut. You just say it's so many miles, it costs so much.

Now, on the mileage out of Orleans, we went in there because the Government had a GO road, which is a Orleans to Gasquet or Gasquet to Orleans, where the name GO comes from. When that comes in, the hauling into Crescent City and that area will drop from \$31 down to around \$15. We were checking to find out what type of timber there was in that area, for the future, for the planning of the years to come. In other words, we're working on 4 years in advance at the present time in planning timber. We don't have enough timber, but that's the way you have to start planning. Where can you go; where's the best place, economically? Surprisingly, as timber goes up trucking becomes a relatively smaller factor, and you can reach out further, and further, and further.

In other words, Washington timber, if it's going to be a \$200 log, it's feasible, if it's going to be a \$100 log, it's not feasible.

Senator PACKWOOD. With the timber prices the way they are and projected for the future, it would seem feasible to truck logs from Washington to northern California?

Mr. McLEAN. If we were offered trees, I'd go get them.

Senator PACKWOOD. I have no further questions.

Senator CRANSTON. Thank you all very, very much. It's been very helpful to have you all with us.

[Statements submitted follow:]

INTRODUCTION OF CALIFORNIA LUMBER AND PLYWOOD PRODUCERS

Senators, I am Thomas McNamara, co-owner of McNamara and Peepe Lumber Co. in Crescent City, California. Today I'm speaking in behalf of independent sawmills and plywood plants in the north coastal section of California from San Francisco to the Oregon border. Basically, these mills do not own timber, but purchase timber or logs from Government agencies and from owners of private timber.

This region is faced with a critically shortened supply of timber. Not only is private timber increasingly hard to acquire, but environmental concerns are restricting the sales of publically owned timber. In the Del Norte County area, roadless areas and the need for environmental impact statements have cut the U.S. Forest Service timber sale program back drastically.

Late in December, Mr. Chairman, a dramatic change in our region occurred. This is why we're here today. Log exporters who work with Japanese trading companies substantially increased log purchases and prices. So that you can have the benefit of the experience of our industry, I've asked several operators

and industry representatives to sit with me and speak briefly to the various aspects of the problem. We welcome your questions.

PANEL

Mr. John Kelly, General Manager, Bonnie Studs, Arcata, California. Mr. Kelly is also President of the West Coast Lumber Inspection Bureau.

Mr. Mel McLean, owner of the Eel River Sawmills, Fortuna, California.

Mr. Fred Peirson, General Manager, Standard Plywood Corp., Crescent City, California.

Mr. John Davenport, Western Forest Industries Association, California Region.

STATEMENT

Mr. Chairman, this statement is prepared on behalf of 20 independent sawmills and plywood plants in northern California: McNamara & Peepe Lumber Co., Simonson Lumber Co., Standard Plywood Corp., Medford Veneer and Plywood Co., McIntosh Lumber Co., Bonnie Studs, Inc., McNord Lumber No., Schmidbauer Lumber Co., Twin Parks Lumber Co., Eel River Sawmills, Inc., Halvorson Lumber Co., Carlotta Lumber Co., Englewood Lumber Co., Morrison & Jackson Lumber Co., Harwood Lumber Co., Philo Lumber Co., Hollow Tree Lumber Co., Britt Lumber Co., Northerest Lumber Co., and Multi Studs.

The logs which supply these mills come from timber growing on privately owned timberland in Del Norte, Humboldt, and Mendocino Counties, as well as from federal timber in the Six Rivers, Mendocino, Klamath, and the Trinity National Forests. Until December, 1972, log exports from northern California represented a relatively small volume of logs shipped through the Port of Eureka. Since December, Japanese exporters have aggressively expanded their acquisition of logs, thereby altering the log price and timber supply structure of our region. Northwestern California contains the last large stands of privately owned timber in the United States, which up until now have not been raided by log exporters. Unfortunately for us, the Japanese have come in here and are about to take over. Unless Congress can pass legislation successfully controlling log exports, the prices now being paid by the Japanese interests will make it impossible for sawmill and plywood producers to purchase logs to manufacture into building products priced for domestic use. This will have a devastating effect on the building industry of California, since most of the lumber and plywood we produce flows into the California market. It amounts to about 1 billion board feet per year.

Until now log exports have only represented 2 percent of total California production; however, the arrival of new buying pressures has affected the entire log market of Northern California. Except for small amounts of timber under contract held at lower prices, manufacturers must pay today's price for logs, prices dictated by exporters, or give up producing the product.

We feel an immediate embargo on log exports would help the lumber and building industries immediately. However, we support your bill—SB 1033—in principle, but urge that it be strengthened in three ways. First, the cutback in log exports should be started sooner and completed in less than three years: We recommend the following schedule: An immediate ban on Federal timber; Private Timber phased out 1.2 billion July through December, 1973; .9 billion January through June, 1974; .6 billion July through December, 1974; and .3 billion January through June, 1975.

Secondly, the phase out should be controlled by custom districts and ports. Each port should have its volume or quota based on percentage of total log shipments for 1972. This is absolutely vital for us in California, since this is the last major untapped timber source. Any bill Congress passes must emphasize the fact that log exports must not be allowed to expand into California. Quotas by historical patterns of exports must be made mandatory.

Third, while it may not affect us as producers directly, any ban should consider quotas on lumber export volumes also. Not to consider this aspect of the problem will lead to increased lumber exports and nullify the effect of the log ban on the American domestic market. Lumber quotas should be flexible to recognize shifts in supply and demand.

Some have advocated increased Federal timber sales and a strong "substitution" rule as the answer to the log shortage dilemma. Obviously, more Federal timber will help in the long run, but such an approach leaves all private tim-

ber free for the export trade. Again, since most timber in this area is privately owned, it will be exported in increasing volume. For example, if the present export limitation on Federal timber—350 million board feet—is eliminated in Oregon and Washington, exporters will move directly to California to get it back.

Mr. Chairman, the question of log haul distance has been raised. That will, of course, depend on the type of highway, type of log, and other economic considerations. Let me give you an example. The Weyerhaeuser Company exports over 70 million board feet of logs out of Coos Bay, Oregon. It's 120 miles from Coos Bay, Oregon to a mill in Crescent City. Yet mills have purchased logs from the Coos Bay area for many years in the Crescent City area of northern California.

One mill in Brookings, Oregon, South Coast Lumber Company, last month laid off one shift because of impending log shortages. They would, I'm sure, be happy to purchase 40 million board feet of Weyerhaeuser's logs if they could deal with them reasonably.

McNamara and Peepe Lumber Company in Crescent City, California, is operating only 4 days per week because of log shortages. I'm sure they could absorb 10 million board feet.

U.S. Plywood Corporation in Gold Beach, Oregon, is short of timber and in danger of shutting down. Surely they would be glad to buy 20 million board feet.

As far as this region is concerned, all logs being exported today, including Port Orford Cedar, could be utilized if the price was right.

As an example of how destructive this export trade can be, Congress gave a tax advantage to companies exporting American goods. Called DISC (Domestic International Sales Corporations), the law allows such corporations to pay only one half the taxes due on profits, such profits to be deferred for 15 years. As a result, a private timber owner who has a DISC won't sell logs to American mills even if they meet Japanese prices, because he then has to pay all his taxes. He wouldn't benefit from this interest-free loan from the U.S. Government. Not only that, but new legislation under consideration by the Administration will allow exporters to defer 100% of tax liability for 15 years. The DISC program makes no sense in dealing with a scarce natural resource.

Congressman Al Ullman of Oregon, recognizing this problem, inserted in the latest revision of the tax law a provision that if the executive branch declared a commodity in short supply, DISC will not apply. Many congressmen wrote the Administration that DISC should be not available for the export of softwood logs. We understand the Administration responded negatively. This is further proof that the solution to this problem lies with Congress.

Mr. Chairman, as evidence of price increases, we have enclosed the Humboldt County tax assessor's proposed log value table for 1972 and 1973. Generally log prices have increased 100%, with most of the increase occurring since December, 1972.

The Economic Stabilization Act, as recently passed by the House Banking Committee, proposes to roll back prices to the January, 1973 level. If that happens, most mills in this region will immediately face disaster, because they now have contracted for, or purchased timber in competition with Japanese prices since January, 1973. For example, export log prices now average about 250 dollars per thousand board feet. Mills still purchasing logs are getting the less desirable logs rejected by the Japanese for about \$180 per thousand board feet. If prices are rolled back to say 140 dollars per thousand board feet for lumber, no one can afford to cut the more expensive logs. If no other supply is available, the only alternative is to shut down.

Furthermore, there is a log export section in the revised Economic Stabilization Act that utterly fails to cope with the problem of exporting either private or public timber. The House version of ESA must be strengthened along the lines of SB 1033, your bill, or be Killed. All the revision really does is to extend the Morse Amendment for 3 months and require an agony between the Government and the forest products industry over "Substitution" which to us is unworkable and inequitable.

The question of mill capacity to absorb log exports has been raised. An analysis of The North California Region shows that capacity exceeds supply right now. Any increase in log exports can only lead to mill closures.

Senators, this legislation is vital to the economic future of Northern California. Thousands of jobs are at stake. The alternative for us is to become the Western "Appalachia" of the United States.

HUMBOLDT COUNTY FOREST PRODUCT REPORT

Compiled by the Humboldt County Assessor's Office

The price of logs throughout Humboldt County is unchanged, except in a few instances. There is some price fluctuation due to the short supply of logs and the continued wet weather, but these prices should level off in the spring. The present price of logs are as follows:

EXPORT LOGS—F.O.B. DOCK, HUMBOLDT BAY

Young growth Redwood logs for export to Japan will average \$70 to \$80 per M. White Fir export logs will average \$72 to \$85 per M. Douglas-fir export logs will average \$90 to \$105 per M.

ARCATA-EUREKA AREA

Douglas-fir truck peelers are ranging from \$140 to \$165, \$125 to \$145, and \$105 to \$125. No. 1, 2, and 3 sawlogs were quoted at \$100 to \$110, \$77 to \$90, and \$65 to \$75. Camp run White Fir and Hemlock are running \$60 to \$70, and Douglas-fir camp run \$80 to \$92. Redwood second growth is priced at \$70 to \$82, depending upon length. Old growth Redwood is running \$100, \$80, and \$60.

HELGE C. PAULSON, *Assessor*.*County of Humboldt.*RAYMOND J. FLYNN, *Supervising*.*Timber Property Appraiser.*

STATEMENT OF WESTERN FOREST INDUSTRIES ASSOCIATION, BY JOHN DAVENPORT,
BEFORE THE SUBCOMMITTEE ON ENVIRONMENTAL IMPACT AND UNEMPLOYMENT,
CALIFORNIA SENATE COMMITTEE ON INDUSTRIAL RELATIONS, GEORGE MOSCONE,
CHAIRMAN, MARCH 28, 1973

Western Forest Industries Association is a group of over 150 independent sawmills and plywood plants located in 12 western states. Our members in California alone produce nearly 1.5 billion board feet of lumber and plywood.

The lumber and plywood business today can only be described as chaotic.

While you may have read in the newspapers lately about the energy crisis, the gasoline crisis, the natural gas crisis, etc., which will soon be upon us, it is our contention that the softwood lumber crisis is here now. It is not local—it is worldwide. Demand has passed supply and not only are prices skyrocketing but some builders cannot get supplies at any price. The demand is fueled by home building in Japan and in the United States.

A simplistic answer to the problem is to have the Government roll back prices; reimpose price controls on lumbermen. Such a solution would be a disaster, for many sawmills would be forced to close immediately. Why?—because log prices are not under price control. Log prices today are astronomical. They have doubled in three months.

Many mills have purchased logs at these prices, and if lumber is rolled back in price they no longer could cut the expensive logs in the mill yard. They could not afford to do so. They would have to shut down.

Another solution to the problem is to sell more Federal timber as the administration announced they would do on Monday in Washington, D.C. This is a proper step to take, but it is too little and too late. Even if more is sold this year it will be another year before the timber can be cut and harvested. For the long haul this will help, but in the short run it will mean nothing.

A bill S.1033 introduced by Senators Packwood of Oregon and Cranston of California now before the Committee on Banking, Housing and Urban Affairs would phase out the export of all logs by 1977. I would urge you to support this legislation; in fact, even insist it be strengthened to accomplish this goal more promptly and to include controls on the export of lumber from the United States.

In short, some rational system to regulate the flow of softwood must be established, if the lumber and building industries here in this country are to plan for the future.

The Japanese needs are insatiable. A recent article in *Fortune Magazine* told of Japanese plans to rebuild their nation. They plan to use a lot of wood and will come here to buy it at prices so high they are almost beyond belief. If export controls are not established on all timber, both private and public, the situation will become more critical in California.

For example, Federal forest now allot 350 million board feet of logs for export, mostly in the state of Washington and northern Oregon. If this federal timber is cut off from export and no controls imposed on private timber, I predict the Japanese will come to California to buy private timber to make up for the 350 million board feet of federal timber they lose. They are already moving into the state of California with expanded purchases.

Another solution is to embargo the export of logs and lumber under the Export Control as advocated by Senators Cranston of California and Packwood of Oregon in a letter to the President last month. We submit that this would have an immediate and dramatic effect on the supply of logs available to American mills and they could and would increase production which in turn would level off the prices on lumber and plywood.

The Homebuilders Association of metropolitan Portland, Oregon sponsored a survey of the operating capacity at west coast lumber and plywood plants in Oregon, Washington, and California. 102 sawmills reported they could increase production by 1,769 billion board feet per year and 30 plywood plants reported possible increase of 535 million square feet per year.

Nor is the imposition of an embargo anything unique in American history. The Act of June 4, 1794 (1 Stat 372) authorized President George Washington to embargo all ships and vessels in the ports of the United States. Various other embargo acts—March 26, 1794 (1 Stat 400), April 18, 1794 (1 Stat 401), April 2, 1794 (1 Stat 400), Resolution of May 7, 1794 (1 Stat 401) were passed.

For the purpose of relieving scarcity of guns and muskets, congress embargoed exports and relaxed tariffs on imports to relieve the domestic scarcity—Act of May 22, 1794 (1 Stat 369).

All these Acts were signed into law by President George Washington, who served in the Constitutional Convention, both as a Deputy from Virginia and as President of the Constitutional Convention. Others who participated in the drafting of the Constitution were serving in Congress when these embargo acts were enacted.

The Supreme Court has said "that a contemporaneous legislative exposition of the Constitution when the founders of our government and framers of our Constitution were actively participating in public affairs, long acquiesced in, fixes the construction to be given to its provisions." *Myers vs U.S.* (272 U.S. 52, 175).

President Thomas Jefferson signed the Embargo Act of 1807 that forbade all exports to Europe. It was repealed two years later and substituted was the Non-Intercourse Act, which prohibited trade with England and France.

President Roosevelt barred the export of gold except as licensed by the Secretary of the Treasury (Executive Order 6160, August 28, 1933) and silver coin (Executive Order 6560, January 15, 1934.)

Under the Export Control Act of 1949 to relieve domestic scarcity, various presidents have limited exports of commodities, such as cattle hides, walnut logs, polio vaccine, influenza vaccine, sugar, various forms of copper and aluminum, etc.

The Act of June 21, 1938 (15 USC 717b) prohibits export of natural gas, unless an application to export is granted.

Here we stand in the classic position of having a scarce natural resource. If we are to protect American jobs, industry, and our precious natural resources, the time to act is now. The congress should act.

Senator Moscone and other members of the legislature here today, I urge you to testify at the U.S. Senate Banking, Housing, and Urban Affairs Com-

mittee hearing to be held in San Francisco April 13th. Support the efforts of Senator Cranston and Packwood to control log exports.

Further, I hope you will publically support the imposition of an embargo on log and lumber exports until building supplies are adequate to supply the needs of the people of the United States.

STATEMENT OF WESTERN FOREST INDUSTRY ASSOCIATION

(By John Davenport)

Western Forest Industries Association is a group of over 150 independent sawmills and plywood plants located in 12 western states. Our members in California alone produce nearly 1.5 million board feet of lumber and plywood.

The Trends in the Japanese market for logs is unlimited increase. The March, 1973 issue of *Fortune Magazine* features a story on the efforts of the Japanese government to improve the human environment in Japan. Whole new cities are planned. The Japanese build houses with wood. They have only limited supplies themselves due to overcutting their own forests during World War II. They must import wood. They now plan and have apparently received assurances from the Nixon Administration that they can get it from us.

Only last summer, in an attempt to assuage Japan's consternation over Nixon's unexpected visit to Peking, the President assured Prime Minister Tanaka that 500 million dollars worth of raw agricultural products would be sold to Japan, ostensibly to ease the balance of payments problem. This included nearly an additional 100 million dollars for logs, as well as other critically scarce commodities such as hides.

Writing in the *Japan Lumber Journal* of February 15, 1973, Akira Gunji, President, Japan American Lumber Conference, described the situation. Housing booms in Japan, world-wide shortages of softwood lumber prevail, Japanese fear efforts of American lobbyists to get embargoes put into effect will succeed, and lumber and log prices skyrocket in Japan.

The *Oregon Journal* of March 27th headlines the fact that Japanese buyers are hoarding logs to prepare for an embargo. Hiroshi Yamada, Secretary General of the Japan Lumber Importers Association, is quoted, "They (we) have been surprised and alarmed by the emotion involved in the log export issue". The fact remains, they have moved in and bought their year's supply of timber at outrageous prices which have had the effect of driving up the American log, lumber, and plywood prices.

To illustrate, let us assume that one lives on a block with 20 homes all worth about \$30,000. One man sells his home and immediately tells his neighbors that he received \$100,000. There is no way anyone else on that block will sell for \$30,000. Everyone will try for \$100,000.

This is precisely what's happened to our log markets. American logs were selling for about \$100 per thousand board feet 3 months ago. The Japanese came in and offered \$250 per thousand board feet, or more. An American sawmill today can buy logs in competition for no less than \$175 per thousand, and those are logs that aren't good enough for the Japanese market, for they want the best.

Only that Federal timber which is under export restrictions in noncompetitive areas goes at a reasonable price. Not only that, but the Federal government is escalating its appraisals to reflect current lumber markets, because logs are considered an agricultural product not under price controls.

It is our opinion that this situation has occurred because of the world-wide shortage of softwood lumber. We hear of future crises in energy, fuel, natural gas or what have you. We've got our crisis right here and now.

Consider the dilemma of a sawmill, one which must purchase logs competitively to stay in business. Generally such a mill will purchase logs in such a

manner that he has as much timber cutting rights as possible. Ideally, he'd like to have under contract 3 years supply so that he can plan improvements in his mill and be sure that his investment will have a future.

Today he's threatened from all sides. Generally looking ahead he doesn't have enough timber under contract.

On the left hand, he sees Japanese buyers with unlimited dollars buying all the available logs at their unbelievable prices.

On the right hand, he sees the environmentalists who claim the timber is being cut too rapidly. The Sierra Club maintains the publicly-owned forests are being cut too rapidly and the allowable cut should be reduced. Roadless areas cannot be opened up because of a Federal Court decision last year until environmental impact statements are filed. As of now the responsible public agencies seem unable to move.

Directly behind him poised with axe in hand standst the Cost of Living Council threatening to roll back lumber prices. The press, Monday, quoted John Dunlop, Chairman of the Cost of Living Council, threatening to roll back prices.

Now normally with these high prices, mills would speed up production to make more profits and the increased supply of lumber would tend to level off or lower lumber prices.

But with these four threats to his future hanging above him, like the Four Horsemen of the Apocalypse, the mill holds back production and tries to stretch out his meager log supply.

The fact of the matter is, mills are laying off workers and going at slow bell. Chaos reigns—builders cannot get lumber or plan for the future, labor is being laid off, prices rise and American citizens cannot get homes at reasonable prices.

A further devastating effect occurs on the timber resource base. Standing timber, by law, is real property and is taxed on cash value of lien date, or March 1, in California. One of the reasons to cut timber excessively is to lower the tax burden.

Cash values on standing timber this year when the tax bills are mailed will send shock waves throughout the industry. Small landowners as well as large will see taxes double, or triple. The resultant pressure to cut timber to avoid taxes will be inexorable.

This fact, combined with the lure of high Japanese prices, will inevitably lead to more overcutting. It's happened in the state of Washington and it's on its way to California. I have personally traveled in the state of Washington and have seen acre after acre, especially in small ownerships, where the land has been stripped bare. And the logs go to Japan!

This cloudy future can have other effects not yet realized. Consider the ports of Sacramento and Stockton. There's gearing up for the increase log trade with Japan. I suspect millions of dollars worth of log handling equipment is being purchased with public dollars supplied by a levy on local citizens.

We favor an immediate embargo on logs, or at least a phase-out of logs and control on lumber shipments. There is a good chance that congress, or the administration, will do something and these ports will be saddled with unusable capital investments.

The only immediate relief is an embargo on the export of logs and lumber from the United States. Drastic as this sounds, it's not unique. It was a basic consideration of the founding fathers of this country.

STATEMENT OF JOHN KELLY, GENERAL MANAGER, BONNIE STUDS, ARCATA, CALIF.

Mr. Chairman: to give you a concrete example of log costs, in March of 1972 we were paying \$83.50 per thousand board feet for Hem-Fir, and selling studs for \$112.00 per thousand board feet. In March of 1973, Hem-Fir logs cost \$173.00 per thousand board feet, and we sold Hem-Fir studs at \$160.00.

In March of 1972, Douglas Fir logs cost \$99.75 per thousand board feet; we were selling Douglas Fir studs at \$119.00 per thousand board feet. In March of 1973, Douglas Fir logs cost \$168.00 per thousand board feet, and studs were selling at \$167.00.

In March of 1972, Redwood logs cost \$88.00 per thousand board feet; we were selling studs at \$114.00. In March of 1973, Redwood logs cost \$168.00 per thousand board feet; studs were selling at \$166.00.

Exporters have claimed our market cannot utilize white wood such as Hem-Fir. Mr. Chairman, let me tell you that we can use every log we can get our hands on, and the domestic market will take it!

STATEMENT OF JOHN DAVENPORT, WESTERN FOREST INDUSTRIES ASSOCIATION, CALIFORNIA REGION

Mr. Chairman: yesterday I personally contacted all twenty companies of this group to ascertain their potential capacity for using logs and increasing production. I talked with twenty-five separate producing units, including sawmills, plywood plants, and veneer plants.

Two reported that they were operating at capacity.

Seven units were operating two shifts. One of these ran 50 hours per week; five were on 40 hours per week; the other was on 32 hours per week. All said they would work a 60 hour week if logs were available. In addition, two of these seven reported that they plan to lay off one shift this summer if log supply does not improve.

Twelve units were operating one shift 40 hours per week. Of these, one has just laid off a shift for lack of logs. Two of these units had just started up this week, after being shut down for a month for lack of logs. All of these twelve reported that they would be glad to go to two shifts if logs were available.

Four units were not operating, due to lack of logs; three of these closed in the last two months. All reported log shortages as the basic cause.

At the present time these mills produce the equivalent of about one billion board feet of lumber. They employ directly about 2,800 people. Payroll is estimated at \$25,000,000. They pay \$1,300,000 in property taxes alone.

If the logs were available, these mills could, I estimate, increase total production by 650 million board feet, or 65%. That much timber just is not available. If all log exports were cut off and full federal timber sold, the logs could and would be used by existing sawmills. Yet this is the area where log exports are just getting started. If exports are allowed to grow, 75% of these mills will close.

Senator Cranston, the production of these plants flows generally into the building industry of California. It will be an unmitigated disaster to California builders if their lumber supply dries up. Where will they go for lumber? It's in short supply everywhere!

WATERBORNE SHIPMENTS OF LUMBER—FEET BOARD MEASURE—SHIPPED OR PROCESSED FOR SHIPMENT—COMBINED CERTIFICATED FOOTAGE REPORTED BY PLIB, WCLIB, WWPA, CLMA,
AND NILA—NONCERTIFICATED FOOTAGE REPORTED BY PRODUCING MILLS
PACIFIC LUMBER INSPECTION BUREAU, SEATTLE, WASH.

CIRCULAR No. 1259, MONTH OF DECEMBER, 1972

Country	British Columbia	British Columbia year to date	Alaska	Washington	Oregon	California	U.S. year to date	Total year to date
Export								
Africa	2,610,485	22,498,161			25,814		2,465,455	24,963,616
Australia	11,035,972	137,613,116		5,036,515	4,055,303		88,332,174	225,945,287
Belgium	591,069	21,441,302		50,111			558,665	21,999,967
Eire	298,974	2,834,412					647,862	3,481,283
France	221,355	12,792,949		108,127	150,437		5,178,741	17,971,690
Germany	1,764,181	34,465,471		348,409	1,521,997	271,092	36,500,456	70,965,927
Greece				65,575	313,789	107,517	5,033,657	5,033,657
Holland	885,385	17,064,533		209,416	877,236	107,988	12,959,332	30,023,865
Hong Kong		85,804					574,004	659,808
Israel		104,906		18,997	38,105		283,010	387,916
Italy	547,780	12,280,437		1,394,746	5,322,137	20,071	91,622,963	103,903,400
Japan	21,888,503	280,125,918	28,368,469	3,806,894	358,139		341,432,470	621,558,388
Korea		113,168		15,242			4,490,740	4,490,740
Middle East		1,044,366		51,856			1,338,525	1,451,693
New Zealand					224,040		947,365	1,991,731
Scandinavia				3,382	10,710	18,191	466,546	466,546
South America—E.C.	73,768	753,541					378,540	1,132,081
South America—W.C.		603,221					7,874,160	8,477,381
South Sea Islands	379,330	1,957,993		287,784	540,742		13,234,622	15,192,615
Spain	50,415	4,463,731		893,908	1,103,072	15,054	4,223,828	8,687,559
United Kingdom	28,918,466	262,262,592		644,401	375,876	502,320	18,985,151	281,247,743
Viet Nam				50,631	364,160		17,786,921	17,786,921
West Indies		6,361,581					15,381,581	15,381,581
Unclassified	100,000	1,704,146		598,005	1,297,295	80,097	13,785,525	15,489,671
Total	69,365,683	820,576,357	28,368,469	13,584,078	16,653,953	1,122,330	669,100,709	1,489,677,066
Domestic								
Alaska							818,771	818,771
Atlantic Coast	102,907,977	1,237,358,278		999,765	23,865,990		267,494,558	1,504,852,836
California	4,340,612	53,723,744		6,394,125	28,063,193		451,499,576	505,223,320
Canada				36,939			869,441	869,441
Hawaiian Islands	2,428,882	12,185,935		90,581	3,545,126		35,318,749	47,504,684
Mexico							5,691	5,691
Puerto Rico	7,425,268	89,577,886	387,000	518,083			7,730,407	89,577,886
Washington								7,730,407
Total	117,102,739	1,392,845,843	387,000	8,039,513	55,474,309		763,737,193	2,156,583,036
Grand total							1,432,837,902	3,626,102

STATEMENT OF FRED PEIRSON, GENERAL MANAGER, STANDARD PLYWOOD CORPORATION

Mr. Chairman: our mill is in Crescent City, California. The question of the longest economically possible log hauling distance has been raised. I'd like to submit actual costs from my company's records, as of this date. Trucking from Camas Valley, Oregon, which is about halfway between Roseburg and Coos Bay—a distance of about 160 miles—costs 25 dollars per thousand board feet; from Coos Bay, Oregon—about 120 miles—the cost is 20 dollars per thousand board feet.

From Eureka, California—about 90 miles—the cost is \$15 dollars per thousand board feet; from the Orleans District of the Six Rivers National Forest in California—about 180 miles—it costs 31 dollars per thousand board feet. As strange as it may seem, that's only about 40 miles, as the crow flies, from my mill to the sale area.

The paradox is that we can haul logs from the middle of western Oregon 6 dollars cheaper than we can haul from the National forest in which we operate. Furthermore, I'm sure we could haul logs from Longview, Washington for the same cost. If offered the right timber, I would willingly buy it in the state of Washington and haul it to Crescent City, California.

Senator CRANSTON. Our next witness is George A. Craig, executive vice president of the Western Timber Association.

Thank you for being with us. Would you please identify those with you?

Mr. CRAIG. Yes.

STATEMENT OF GEORGE A. CRAIG, EXECUTIVE VICE PRESIDENT, WESTERN TIMBER ASSOCIATION; DENNIS HAYWARD, FEATHER RIVER LUMBER CO.; AND C. W. BOOTH, SECRETARY-TREASURER, CAROLINA PACIFIC PLYWOOD, INC.

Mr. CRAIG. We plan to cover our presentation collectively in 5 minutes, as specified.

Senator CRANSTON. Wonderful. That would be unique.

Mr. CRAIG. Mr. Chairman and Senator Packwood:

I'm George A. Craig, a professional forester and executive vice president of Western Timber Association, an organization of timber purchasers dependent on the National Forests. Our members buy and process 85 percent of the timber sold by the Forest Service in California.

Senator Cranston has explained that the motivation for this hearing was of great concern about sharp rises in lumber prices. When a similar problem developed in early 1969, the basic causes were determined in a number of Congressional hearings and summarized in the June 1969 Report of the Senate Subcommittee on Housing and Urban Affairs, which stated: "The underlying cause; which has both temporarily and long-term significance, is an artificial shortage of available timber from our Nation's forests."

There has been almost total failure of the Congress and the administration to take six actions recommended by the subcommittee in 1969 to meet the long-range problem of short timber supply and resulting high prices for wood products.

The California record shows that in 8 out of the last 9 years the Forest Service sold 60 percent or less of what should have been sold to get in line with the scheduled harvest of sustaining yield volume.

In the current fiscal year, another 1.3 billion board feet should be offered under the Forest Service ultra-conservative even-flow policy.

And that 1.3 can be put into perspective when we consider approximately 70 million was the total export from all lands in California last year.

Our association had been seeking a prohibition on the substitution of purchased Federal timber for exported private timber. As a result of numerous discussions with industry and Congressional representatives from the west as well as consultation with Forest Service officials regarding the practicalities of the proposal, we have offered a modification of the Morse amendment for consideration. I would like to include a copy for the record, which is in my full statement.

We still have 427,000 acres of unstocked commercial forest land in California's National Forests. They should have been planted years ago. They will be needed to be planted for future homes. Funding is the need for this work. Ironically, in the last calendar year, the receipt from timber sales in California to the Federal Treasury were \$97 million.

A recent survey showed that our 78 member plants could increase their present production by 19 percent, that would be 682 million board feet log scale per year . . . if timber were made available. This is sufficient wood to produce 80,000 homes.

With us today are two representatives of our member firms, who are here to tell you of typical problems in different parts of California.

First, is Mr. Dennis Hayward of Feather River Lumber Co.

Mr. HAYWARD. My name is Dennis Hayward and I represent Feather River Lumber Co.

We operate five lumber processing plants in the Sierras. These plants provide over 650 jobs and are the major source of economic well-being in four towns and two counties. These plants are now operating at 73 percent of capacity and further reductions may occur in the coming months, if immediate corrective action is not taken.

Further down the line the corporation's seven molding and box plants are operating at less than 60 percent of capacity. Recently 300 workers were laid off, most of them in one county. This means there are 300 additional families on the unemployment and welfare rolls.

The majority of our timber is purchased from the Plumas and Tahoe National Forests although we do purchase a significant volume of private logs. As we watch our log inventory dwindle and find it increasingly difficult to purchase additional volume we see public owned timber rotting on the stump and every day we see truck loads of private logs pass our plants headed for the Port of Sacramento.

There is a true and serious timber crisis today. This crisis will worsen as reserves are used up and plants are closed. It is an immediate problem requiring immediate action.

First, the manpower and budget limits must be lifted from the Forest Service so that all forests may put up their total allowable cut plus their accumulated undercut.

Secondly, there must be an immediate control of the exports of both private and publically owned timber.

In conclusion, it is our company's believe that the ultimate solution to high lumber prices is in the workings of this free enterprise system. Government should take the actions outlined to increase the log supply to the domestic producer. This will, in turn, lead to satisfying the lumber demand and a lowering of price levels.

Mr. CRAIG. We'd now like to hear from Mr. C. W. Booth of Carolina Pacific Plywood, Incorporated.

Mr. BOOTH. My name is C. W. Booth. I am secretary-treasurer of Carolina Pacific Plywood, Inc., based in Medford, Oreg. We are manufacturers of veneer, plywood, and lumber. Our operations include two Oregon plywood mills, and mills at three locations in California. We employ approximately 700 people about equally divided between the two States.

Our direct California payroll in 1972 was \$3,300,000.

If an additional 40 million feet of timber were available to us annually, we could operate all mills on a two-shift basis. This would create 100 new jobs and furnish an additional 50 million feet of lumber for the Nation's housing needs.

Our present backlog of timber under contract is 187 million feet—barely more than a year's supply. For efficient operation, we should have a 2- to 3-year backlog.

Recently the volume offered for sale has declined. This has occurred in the face of increased requirements.

We feel the Forest Service should sell the full allowable cut. Thank you.

Mr. CRAIG. Thank you very much.

Senator CRANSTON. Bob?

Senator PACKWOOD. I have no questions.

Senator CRANSTON. I don't think I have either. You've stated your case very clearly. Thank you very, very much.

Mr. CRAIG. Thank you, sir.

[Statements submitted follow:]

STATEMENT OF GEORGE A. CRAIG, EXECUTIVE VICE PRESIDENT, WESTERN
TIMBER ASSOCIATION

Mr. Chairman and members of the Committee, I am George A. Craig, a professional forester and executive vice president of Western Timber Association, an organization of timber purchasers dependent on the National Forests. Our members buy and process 85 percent of the timber sold by the Forest Service in California.

CONGRESS FOUND SOLUTION IN 1969

In Senator Cranston's kind invitation to me to testify here today, he explained that the motivation for the hearing was the great concern about sharp rises in lumber prices. When a similar problem developed in early 1969, the basic causes were determined in a number of Congressional hearings and outlined in Congressional reports. For example, the Senate Subcommittee on Housing and Urban Affairs summarized the problem in June 1969 at the beginning of its report "Effect of Lumber Prices and Shortages on the Nation's Housing Goals" as follows:

A combination of events—increased exports to Japan, shortages of water and freight car transportation facilities, a waterfront strike, bad weather, and a sharp rise in consumer needs aggravated by over-estimating and some questionable pricing practices—were the visible causes of the recent crisis in the price of lumber and plywood. However, the underlying cause which has both temporary and long-term significance, is an artificial shortage of available timber from our Nation's forests. The early-year crisis appears to be a temporary one and, in fact, seems already to be partially solved largely as a result

of a number of Government emergency measures and partially by a reduction in demand because of mortgage credit shortages.

The long-range problem is by far the most serious one because, unless softwood timber production is sharply increased, our Nation will find itself critically short of lumber and plywood in the years ahead.

To reach the Nation's housing goal of 26 million units in the next 10 years, lumber availability would have to be increased by 60 percent. The subcommittee was convinced that this increase is well within our resources provided the necessary investment is made in intensive forest management on a continuing basis. About one-half of the Nation's inventory of mature softwood timber, estimated at 2 trillion board feet, is under Government ownership in the National Forests, administered by the Department of Agriculture.

Considering that the National Forests are contributing only 11 billion board feet annually out of this huge inventory, the problem can be seen to be one of management and adequate funding to build roads, to plant trees, to thin, to prune, to fertilize, and to apply the latest technological development to the forests. Obviously, this can be done, but whether or not it will be done, depends upon the approval by the Congress of a dependable continuous adequate financing device. The subcommittee concluded that the best sources of such funds are the forests themselves and the receipts from the sale of timber produced by these forests.

The subcommittee was convinced that, with the necessary financial input, the solution to our long-range problem could be resolved without impairing the use of the forest to meet the conservation and recreation needs of the American people.

GOVERNMENT FAILED TO ACT

On March 27 of this year, I reviewed with the Senate Subcommittee on Housing and Urban Affairs in Washington, D. C. the almost total failure of the Congress and the Administration to take six actions recommended by the Subcommittee in 1969 to meet the long-range problem of short timber supply and resulting high prices for wood products. It is not my purpose to repeat that testimony here, but a copy is offered for the record (Mimeo #4999). I would like, however, to elaborate briefly on the problem as it relates specifically to California. Then, representatives of two of our member firms from different parts of California, will briefly describe their situations, as typical purchasers of National Forest timber.

My Washington, D. C. testimony noted the small volume of salvage timber offered for sale compared to the annual mortality on the National Forest commercial timberlands in California. Less than 10 percent of the mortality is offered in salvage sales in this state. This is an unnecessary waste.

Lack of roads is a prime cause for the failure to market the sustained yield harvest of timber in California and salvage some of the mortality. This region has more recreational use of the National Forests than any other, but for some unexplained reason 97 percent of the mileage of construction and reconstruction of permanent roads had to be done by timber purchasers last year. Road funds are being reduced in California when they should be increased.

The allowable cut volume of timber is not being offered for sale. As noted in Washington, D. C., allowable cut levels have been calculated for 10 year periods on each National Forest and accounting is done by such periods. The annual allowable cut volume is only the average for the period.

As a practical matter and for the convenience of both the Forest Service and timber purchasers, an inventory of timber is kept under contract at all times. This is necessary to permit the construction of related roads, to adjust for market and seasonal problems and to permit some assurance that mill men will have something to process in the next few years. Without such assurance, plant and equipment investments cannot be justified. Normally there should be two to three years cut under contract in a Region. This does not mean that the average purchaser has that much. In California, it has been rare to have $2\frac{1}{2}$ times the annual allowable cut under contract, even immediately after the major selling period.

SALES AT 60 PERCENT LEVEL

When we consider the accrued undercut, we can ignore the volume necessarily held under contract. Three other figures show how well the agency has done in meeting its sustained yield harvest objective. These three figures are

(1) the average annual allowable cut (sell) volume, (2) the accrued undercut (undersell) volume for the 10-year planning periods, and (3) the volume sold. The table below shows such data for the nine years 1965-1973:

CALIFORNIA NATIONAL FORESTS, TIMBER VOLUMES IN BILLION BOARD FEET

	Fiscal year								
	1965	1966	1967	1968	1969	1970	1971	1972	1973
(1) Annual allowable.....	2.0	2.0	2.0	2.0	1.9	1.9	2.0	2.0	2.0
(2) Accrued undersell.....	1.7	1.6	1.5	1.4	1.4	1.0	1.1	1.3	1.2
Volume should sell.....	3.7	3.6	3.5	3.4	3.3	2.9	3.1	3.3	3.2
(3) Volume sold.....	2.2	2.1	2.1	2.0	1.9	2.2	1.8	1.8	^a 1.9
Percent accomplishment.....	59	58	60	59	58	76	58	55	59

At beginning of fiscal year.
Forest Service estimate Jan. 17, 1973.

The record shows that in eight out of the nine years, the Forest Service sold 60 percent or less of what should have been sold to get in line with the scheduled harvest of the sustained yield volumes. In the current fiscal year, another 1.3 billion board feet should be offered under the Forest Services ultra-conservative even flow policy.

NEPA FRUSTRATING VITAL PROGRAMS

The Forest Service was financed to sell 2,080 MMBF in this fiscal year in California, but expects to sell only 1,933 MMBF because of lack of road money, delays caused by preparation of environmental impact statements and delays caused by appeals and court actions. The latter have tied up 225 MMBF at this time. Another 500 MMBF may be delayed in the next 2½ years because the need to go through the complex procedure of filing environmental impact statements. These delays are counterproductive and achieve nothing where it has already been the Forest Service's practice of making environmental analysis reports. NEPA cost the Forest Service \$13 million last year.

Congress may have to consider the impact of the National Environmental Policy Act of 1969 on obligations established earlier for the Forest Service under the Organic Act of 1897 and the Multiple Use-Sustained Yield Act of 1960. Surely the Congress did not intend to stop the long-planned programs of such agencies as the Forest Service in order to satisfy more bureaucratic form filing. The Forest Service should be permitted to adjust gradually to the new procedures.

ANTISUBSTITUTION MEASURE NEEDED

In Washington, I reminded the Committee of its 1969 recommendation that there should be implementation of the antisubstitution provision of the Morse Amendment to the Foreign Assistance Act of 1968. Our Association has been seeking such a prohibition on the substitution of purchased Federal timber for exported private timber. As a result of numerous discussions with industry and Congressional representatives from the West as well as consultations with Forest Service officials, regarding the practicalities of the proposal, we have offered a modification of the Morse Amendment for consideration. I would like to include a copy for the record of this hearing.

The changes from the Morse amendment include: (1) elimination of the 350 MMBF authorization to export Federal timber, (2) a mandatory requirement that the Secretaries shall promulgate regulations to prevent substitution of purchased Federal timber for exported private timber other than Indian timber, (3) a general guiding statement of purpose for the substitution regulations, (4) an authorization to exempt material that does not meet the utilization standards of the Federal timber sale contracts, and (5) a reference to Federal laws and regulations that would penalize willful violators.

We still have not obtained complete industry agreement on this proposal. Some interested parties have not completed their review. There is some concern that exporters may liquidate private timber and then shift to the Federal timber to supply their mills. I am hopeful that such a possibility would be

most uncommon and subject to challenge under the regulations to be promulgated by the Secretaries.

I would hope that the general intent to prevent unfair competition for Federal timber would be realized by promulgation of sound regulations. As we now see it, the Chief of the Forest Service and the Director of Bureau of Land Management would be charged with jointly selecting an export control officer for San Francisco and another for Portland charged with administering the program. The agencies would prepare guidelines describing what is substitution and what is not substitution. The export control officers would be charged with deciding, preferably by application in advance, whether or not marginal cases would be acceptable. Such decisions could be appealed directly to the Secretary involved and then to the courts. The Board of Forest Appeals probably should be removed by regulation from such controversies to avoid delays. The export control officers would be served by the regional offices of the agencies but reporting directly to the Washington Offices.

Log exports from all ownerships in California amount to less than 2 percent of log production. They amount to about one-twentieth of the accrued under-sold volume on the National Forests in this state. However, the substitution problem has resulted in some excessively high stumpage rates in some parts of California, placing dependent operators in a position where they cannot buy timber essential to the continuance of their domestic milling operations. The substitution measure is needed to meet that problem.

FUNDING NEEDED FOR FORESTRY

Forest management practices have not been intensified as the Senate Subcommittee said in 1969 that they should be. We still have 427,000 acres of unstocked commercial forest land in California's National Forests. They should have been planted years ago. They will be needed for future homes. This is only part of the national job of restocking 4.8 million acres. We hope the Congress will more than restore the \$8.5 million cut in the FY 1974 budget the Administration proposes for such work.

In each of the last two years, some of us from industry have joined representatives of conservation groups such as the National Wildlife Federation, the Wildlife Management Institute and the American Forestry Association in testifying for a larger Forest Service budget. We have recommended full funding of the Forest Service's Environmental Program for the Future, which would provide an improved program for all resources in the National Forests.

To give you an opinion of the appropriateness of greater investment in the National Forests, I would like to offer for the record a copy of some points presented two weeks ago to the California Assembly's Committee on Natural Resources by John A. Zivnuska, Dean of the School of Forestry and Conservation, University of California. Dr. Zivnuska is a world recognized authority on forestry economics. He has some interesting things to say also about the lumber price problem.

MILLS COULD PROCESS MORE TIMBER

In Washington, I reported that a recent survey showed that our 78 member plants could increase their present production by 19 percent—682 million board feet log scale per year—if timber were made available. This is sufficient wood to produce 80,000 homes. With us today are representatives of two of our member firms, Feather River Lumber Co., and Carolina Pacific Plywood, Inc. They will tell you of the effects of the Government's failure to market the timber planned for sale under the Forest Service's sustained yield plans. Then, we would be pleased to answer questions. We appreciate the opportunity to express these views.

MARCH 27, 1973 PROPOSAL TO MODIFY THE MORSE AMENDMENT

(Public Law 90-554 and Public Law 91-609)

(a) Except as provided herein, beginning July 1, 1973, no unprocessed timber from Federal lands located west of the 100th meridian shall be exported from the United States.

(b) This restriction does not apply to Federal timber the export of which is authorized by contracts entered into prior to July 1, 1973.

(c) After public hearing and a finding by the appropriate Secretary of the department administering Federal lands referred to in subsection (a) of this section that specific quantities and species of unprocessed timber are surplus to the needs of domestic users and processors, such quantities and species may be designated by the said Secretary as available for export from the United States.

(d) The Secretaries of the departments administering lands referred to in subsection (a) of this section shall issue rules and regulations to carry out the purposes of this section, including the prevention of substitution of timber restricted from export by this section for exported timber harvested on non-Federal lands other than lands administered by the State of Washington and the Bureau of Indian Affairs. The purpose should be to provide that an owner may not substitute in the same area and time period public timber for privately owned timber that he exports.

(e) In issuing rules and regulations pursuant to subsection (c) of this section, the appropriate Secretaries may include therein provisions authorizing the said Secretaries, in their discretion, to exclude from the limitations imposed by this section sales having an appraised value of less than \$2,000 or timber which does not meet the utilization specification of the Federal timber sale contract from which it originated.

(f) Any person, individual, partnership, corporation or association who willfully and knowingly violates the provisions of this Act shall be subject to penalties provided under 16 U.S.C. 551, 18 U.S.C. 1001 and 41 CFR 1-1.604.

STATEMENT OF JOHN A. ZIVNUSKA, SCHOOL OF FORESTRY AND CONSERVATION,
UNIVERSITY OF CALIFORNIA, BERKELEY

1. Although California is a major producer of lumber and plywood, actions in this state do not and will not determine the level of lumber and plywood prices. Our production of around 5 billion board feet of lumber is less than one-eighth of national lumber consumption, while our contribution to total plywood consumption is appreciably less. Since lumber includes many different species, grades, and sizes of material, each adapted to particular uses, about one-third of our production is sold in markets outside of the state while a somewhat larger volume is brought in from other states. Thus our industry is a part of a national market and prices are set by national supply and demand forces.

2. The rapid rise in lumber and plywood prices which we have been experiencing reflects the workings of a very familiar pattern in this industry: a major increase in demand with very little increase in the quantity being supplied, resulting inevitably in a sharp rise in prices. This is a classic instance of what economists term an inelastic supply response.

Domestic demand is the primary source of the demand increase. Housing starts have risen from around 1.4 million units at the end of 1970 to nearly 2.5 million starts in 1972. This has been combined with a very high and expanding level of general economic activity, so the demand crunch is on.

On the supply side the number 1 source of the inelastic response is the federal government. The National Forests alone include over half of the total softwood sawtimber volume in the United States, yet they are supplying only one quarter of the softwood sawtimber cut. More important, the federal government has not responded to the rapid rise in the demand for lumber and plywood with any increase in the volume of timber sold. The record of timber sales on the National Forests in recent years makes this clear:

Fiscal years:

1969 and 1970, (average) -----	10.7
1971 -----	9.7
1972 -----	9.3

When the majority holder of softwood sawtimber decreases sales in a period of rising demand, a sharp rise in prices is inevitable.

As a matter of fact, during these years of rising demand the Forest Service has not even been able to offer for sale its conservatively estimated allowable cut of 11.5 billion board feet. The basic reason is inadequate funding and manpower for the work to be done. Thus an accrued backlog of some 4 billion

board feet of timber which could have been sold has been built up in the last two years, and a further accrual of unsold volume appears in prospect for the present year.

Furthermore, the allowable cut from the National Forests could be increased by at least 50 per cent—another 6 billion board feet—if sustained funding enabled an intensification of the management of these lands. I would like to stress here that such an intensification of management is essential for any major increase in the allowable cut.

To add to the almost unbelievable nature of this unnecessary shortage of timber, the full costs of such intensified forest management and timber sale programs would be more than recovered from increased receipts from timber sales.

In the face of this situation, it is tragic that a number of well-intentioned but poorly informed environmental groups and some national political leaders have exerted heavy pressure to hold down timber harvesting levels on federal forests. Such efforts lead not only to unnecessary lumber and plywood shortages but also to unnecessary environmental problems since the effect is to shift the pressure for cutting from the federal lands, which could readily sustain an increase, to the private lands which, on a national level, are much less able to increase cutting levels without adverse effects.

Two types of action are needed to meet this timber supply problem. First, the federal government must finally recognize the economics of its role as a major timber owner and move rapidly to the level of intensified management which can enable a major increase in the cut. Second, the basis for funding timber sale programs must be changed so that a reasonable degree of flexibility in annual timber sales levels can be achieved in response to changing market demands.

The current proposal reported by the Cost of Living Council for an immediate increase in volume of federal timber sales is a step in the right direction, but in the present situation it is difficult to see how this can affect sales activities at least until 1974. Further, this is a short and incomplete step, for the basic need is for intensified management to enable a long-term upward trend in the allowable cut.

3. Thus the basic and primary reason for the high prices is a very high level of domestic demand combined with a remarkably inelastic supply response, particularly from the federal forests. During recent months this situation of heavy pressure on prices has been aggravated by two other factors.

The first of these is a shortage of boxcars for shipments—a chronic problem, but one which has been particularly intense recently. For example, in the middle of March the Western plywood industry claimed to be 1,200 cars short out of a weekly need of 2,424 cars. Perhaps current efforts of the federal government can ease this problem somewhat, although the basic problem of an overall shortage of railcars will not easily be resolved.

4. The other factor, and one which has received much recent publicity, is a marked increase in log exports to Japan which developed in the last part of 1972. According to the Forest Service, log exports from the West Coast reached a record of 2.8 billion board feet in 1972, 13 per cent more than in the previous record year, 1970, and 40 percent more than in 1971. Shipments to Japan totaled 2.5 billion board feet. To help put this quantity in perspective, I might note that in fiscal year 1972 the Forest Service sold 2.3 billion board feet less than its allowable cut. This 2.5 billion board feet exported to Japan represents about 6 per cent of the U.S. lumber consumption.

However, it must be remembered that foreign trade is a two-way street. The point that many people are conveniently overlooking is that we are importing about 8 billion board feet, mainly in lumber but with some logs, from Canada while we are exporting not more than 4 billion board feet in lumber and logs, mainly to Japan. In short, we are bringing in 2 board feet for each 1 we export. If one considers the wood equivalent of all forest products, we are dependent on net imports to the extent of at least one-eighth of our domestic consumption. Obviously, if we were to cut off foreign trade in forest products, lumber and plywood prices would be higher and the drain on our forests would also be higher.

Of course, the proposal which has been made is only to reduce or cut off exports. Currently sales of timber from the National Forests for export are limited under the Morse Amendment to 350 million board feet, which is only 7 per cent of the volume exported to Japan. Further, actual sales for this pur-

pose are running around 250 million feet, or 5 per cent of the export volume. California's share of the quota is 24 million feet, with actual sales being less than 5 million feet. Rather obviously, the proposals for eliminating all export sales from federal forests would have only a negligible effect on prices.

If any major reduction in log exports is to be achieved by law, it would be necessary to control exports from private lands by either prohibiting or placing a quota on all log exports, whether from private or public lands. At least five types of reaction would serve to limit the effects of any such action:

a. A substantial part of the logs exported are of species, sizes, and grades for which there is little or no demand in the U.S.

b. A portion of the logs which would be useful for domestic purposes are not within economic transportation costs for the mills seeking logs.

c. A portion of the trees being cut for export purposes would not be cut if demand and prices dropped.

d. To some extent the Japanese buyers on being cut off from U.S. sources would shift to Canadian sources, thus tending to reduce the flow of lumber from Canada to the U.S. and reducing the net effect on domestic supplies.

e. Some increase in U.S. lumber exports would occur.

Considering the volumes involved and these various offsetting factors, this just does not seem to be a promising route to achieving any marked reduction in U.S. lumber and plywood prices. Further, it must be recognized that our overall national balance in foreign trade has greatly weakened the dollar and become an urgent national problem. At this period in history there are clearly some important economic and political problems in any proposal to stifle a vigorous export trade and to cut off a flow of needed materials to a major ally.

Above all, however, this export trade in logs is not the real source of the problem, and thus it cannot be the source of any real solution.

5. One final point. One of the urgent issues before the Legislature in this session is the enactment of new forest practices legislation. I simply want to point out that this is unrelated to current lumber and plywood prices. To the extent that such legislation serves to require the leaving of trees which would otherwise be cut and to incur costs in careful logging that might otherwise be avoided, such legislation can only act to increase costs and prices in the short-run—certainly not to decrease them. Improved forest practices will pay out in environmental benefits now and in increased timber supply in the next century, but not in lower prices currently.

STATEMENT OF C. W. BOOTH, SECRETARY-TREASURER, CAROLINA PACIFIC
PLYWOOD INC.

My name is C. W. Booth. I am secretary-treasurer of Carolina Pacific Plywood, Inc. based in Medford, Oregon. We are manufacturers of veneer, plywood and lumber. Our operations include two (2) Oregon plywood mills, one in Grants Pass and one in White City, and mills at three (3) locations in California. We employ approximately 700 people about equally divided between the two states.

Our mills at Happy Camp and at Salyer, Calif. have been operating for approximately fourteen years, producing veneer and studs. The veneer is shipped to our southern Oregon mills for processing into plywood. In addition, we have a random length sawmill at Burnt Ranch, California, which we have operated for the past seven years. In each of these communities in California, we are either the sole or the dominant employer. In addition to the direct employees mentioned above, we provide work for logging and road building subcontractors and for the merchants in these communities. Our direct California payroll in 1972 was \$3,300,000. Last year we paid property and possessory interest taxes to Siskiyou, Humboldt and Trinity Counties, in the amount of \$230,000.

Currently, we are processing timber at the rate of 120 million board feet per year. Our sawmill at Burnt Ranch and our studmills are not operating at full capacity due to insufficient timber supply. If an additional forty million feet of timber were available to us annually, we could operate all mills on a two-shift basis. This would create one hundred new jobs and furnish an additional fifty million feet of lumber for the nation's housing needs.

Our only source of timber is from government forests. 95% comes from the Forest Service and the balance from the Bureau of Land Management and the Bureau of Indian Affairs. Private timber is unavailable in the areas in which

our mills are located. Our present backlog of timber under contract is 187 million feet—barely more than a year's supply. For efficient operation, we should have a two to three year backlog. This would allow for advance planning and road construction.

In the past, Federal timber offerings have been pretty much in balance with requirements. Recently, however, the volume offered for sale has declined. This has occurred in the face of increased requirements.

In view of the above facts, we would like to make the following recommendations:

- 1.) That the Congress enact legislation restricting the export of logs from Federal timber with a strong anti-substitution provision;
- 2.) That steps be taken immediately to provide adequate funds for the forest service to enable them to offer their full annual allowable cut.

Thank you for giving us the opportunity to present our views.

STATEMENT OF ROBERT GATES, YUBA RIVER LUMBER CO.

Chairman Z'BERG: Mr. Gates.

Mr. GATES: I wasn't informed when I was asked to come down as to just what the Committee wanted.

Chairman Z'BERG: We want to find out what is causing the high prices of timber and what the effect of it is, and what, if anything, the State should do.

Mr. GATES: Well, I think you heard the testimony as to why the prices of timber are high and we feel in representing private enterprise in an individual sawmill, privately owned, that it is a problem of supply and demand. I think that if our problems of today had been recognized back when the statistics were compiled in 1968 of what the requirements would be today, I don't think we would be in the problem where we are today, and I think it is largely an administrative problem by the people who regulate our laws and administer our laws. That goes as far as regulation of Forest Service timber, regulation of this supply so that it gets into the hands of the people as they need it. We have created a demand that is so great that it has almost provided an area of emotionalism or mass hysteria to where people can't rationally come up with a decision as to just what to do about it. All they know is that they are looking for somebody. We have heard of this type of thing happening in the past and I think today that we are more civilized than to allow it to happen now.

We are talking about restriction of rights of private ownership—what to do with your ownership and the right that you have to have this land and to use it as an investment and to recoup from that investment with a profit or at least your cost.

By talking of restricting the sales from this land, whether it is to the domestic uses or to export, I think this is far-reaching and has a lot more ramifications than we realize than we are talking about here today and we would certainly hope that our legislators would really look at these rights that may be taken away through an emotional state.

Chairman Z'BERG: What do you mean by emotional? Do you mean the high cost of timber causes an emotional reaction?

Mr. GATES: Yes, I think that you would agree to this, sir.

Chairman Z'BERG: Well, that doesn't mean it's not unfounded. I mean it is a proper thing to be concerned about, I assume.

Mr. GATES: I think it goes back to an area of why do we have such a demand today. I may ask you that, sir. Who do we have such a demand for timber today?

Chairman Z'BERG: I don't know. That is what I want to hear from you. You are one of the experts in the field.

Mr. GATES: No. We just supply lumber; we just cut down trees and make lumber out of it, and I don't think that we are the experts in this field. It would appear that somewhere along the line money was made available for people to—or lending institutions—to lend to individuals to build homes. Well it would appear that if proper recognition was given to this problem back when the statistics were compiled that should we have the problem today that we would have an orderly building program that would have an orderly building program that would have allowed the industries to keep pace with the demand, but through this—we'll say—money market, manipulation of people it

appears to me, that we have created a demand greater than our supply. Now, why did this happen? Who is benefiting from this? Why don't we regulate these needs in an orderly fashion? Again there is so much production that can be put on the market today, and I think that taking a look at that production rate today if you went back five years ago and started at this rate we wouldn't be in the problem today.

Chairman Z'BERG: You think it is mainly attributable to a lack of proper planning and foresight on the part of government in managing our resources?

Mr. GATES: This is true, but today we are looking for a fall guy. We are going to hang some body, and we should not hang private ownership or the rights that go with it. This is kind of blunt, but this is what it amounts to.

Chairman Z'BERG: Right, but I assume that we are concerned about the high cost of timber and the effect it is having on people being able to purchase houses and contractors, and all of that. So obviously we ought to be looking at some way that we can help in the situation, I would assume.

Mr. GATES: I think we have heard of a way and that is to put more timber on the market. We talk about curtailing this thing immediately—today. I'll grant you that putting another few billion feet on the market immediately isn't that easy either, but I don't think we should take a remedy that would be—well, say the easy way out—I don't think we should do this.

Chairman Z'BERG: Is your company one of the companies that does sell to Japan?

Mr. GATES: We have exported some logs and we do export some logs.

Chairman Z'BERG: What percentage of your business is in that category?

Mr. GATES: We sell in the neighborhood of 80 to 85 million feet of timber. For the last 12 months we have exported 20 million feet. That was May of 72 to May of 73—we'll say 20 million feet, we may have hit the 20 million feet now—that's a month early, but prior to that in 1971 there wasn't any export; there wasn't any in 1970. We did export 15 million feet in 1969.

Chairman Z'BERG: Now, do you own timberlands yourself or do you buy from private timber owners?

Mr. GATES: Our company owns timberlands and we also buy Forest Service land.

Chairman Z'BERG: How much timber did you cut, we'll say, during that last 12 months from federal lands?

Mr. GATES: Roughly 50% of our sawmill needs.

Chairman Z'BERG: Okay, then to some degree there is a correlation between the timber that you buy from the federal government and that which is being sold to Japan. Some of the timber that you cut on federal lands is going to Japan?

Mr. GATES: No, we did have one sale that had some exportable timber in it but this was taken away; we were restricted from cutting this sale; this was located in the Tahoe Basin. So any timber that is going to Japan comes from private land.

Chairman Z'BERG: Well, but the timber that comes from the public land, you sell to domestic sources.

Mr. GATES: And that that comes from private land also. I said 50% but this—to a high degree this varies from year to year but it is never more than that, I am sure.

Chairman Z'BERG: But in the event the federal government were to adopt some kind of rule or policy or whatever, saying that a company could not buy federal land if they were exporting to Japan, what effect would that have on your operation?

Mr. GATES: I think that naturally we would have to stop exporting. No question about that. But then you segregate us from timber buyers and other people who could export, and again you impose restrictions on one portion of the people and not on the others. It is discriminatory. No law should do this.

Chairman Z'BERG: Now, a timber buyer—that's is one who would buy—

Mr. GATES: Certainly, anyone who wasn't dependent upon federal timber could export any private log that he could buy—right? No restrictions at all. Now that didn't solve the problem at all.

Chairman Z'BERG: Why would you cut back your exports to Japan if the federal timber was not available? Why wouldn't you continue selling timber to Japan?

Mr. GATES: Why would we *not* continue?

Chairman Z'BERG: Yes.

Mr. GATES: Well, we would feel that the higher grades of timber today are on Forest Service, on virgin stands. Naturally this we would like. Our second growth stands, some second growth stands are being exported. The volume being exported is incidental really to the problem. If 20 million feet of exports in California—in mid-California—is going to affect the national market, something is haywire.

Chairman Z'BERG: I still haven't quite understood that. If you are selling about 20 million to Japan now—

Mr. GATES: That's this last year, sir.

Chairman Z'BERG: Yes, last year, and the federal government said no more federal land, why would you not continue to sell to the guy that will give you the highest price?

Mr. GATES: Well, I think you are talking about the substitution clause—aren't you?

Chairman Z'BERG: I am wondering what the effect of a federal law like that would be on whether or not timber would continue to be exported or not, you see.

Mr. GATES: It would only affect those who bought Forest Service timber or federal timber to use in their sawmills—who needed to buy federal timber to use in their sawmills. It would not affect the other parties at all. For example, if I wished to retire from my company and go into business as a timber buyer, an exporter, I could do it on my own individually without any restrictions whatsoever; yet my company, the one I just left, couldn't sell a stick export if they were going to continue to buy federal timber.

Chairman Z'BERG: And the reason why you would not export is because you want that additional federal timber.

Mr. GATES: Certainly.

Chairman Z'BERG: Mr. Keyser has a question.

Assemblyman KEYSOR: It would seem logical to me that if you had 25% of your business was export and 75% was not that you would be jeopardizing the 75% for the 25%—or is this not so.

Mr. GATES: You mean by continuing?

Assemblyman KEYSOR: In other words, if you are selling 85 million, 20 million of that is going overseas, that's 25%. Okay, the government says if you export you cannot use our land, then you are letting 25% of your business dictate what you do with 75% of your business.

Chairman Z'BERG: Well, there is probably someplace where you would have to analyze it—50% of this comes from federal. So I guess you probably have to analyze that and see whether or not the timber that you are selling to Japan you get twice as much for or more than what you get locally, and if you didn't then obviously you wouldn't sell to Japan. Whereas on the other hand, if you could sell it for twice as much, you would. It's a matter of economics—right?

Mr. GATES: Sure. I think this is an area that we have to—a rather serious one—

Chairman Z'BERG: You want to make as much money as you can—seriously.

Mr. GATES: This situation we are talking about today is serious enough that we get the facts. We are fortunate enough through whatever means that you may want to call it, whether it's aggressiveness or not, we are able to supply those sawmills, our sawmills, with timber. But over and above that we feel that we have a supply that we could sell and we are selling it at this point by export. Now, there isn't any sawmill that we have—and very few others that we know—that are that low on timber that they are not sawing today. There are a lot of people that will blame any reason at all that they can find other than their own inefficiency for their problem areas, but really all in all there isn't an awful lot of lumber or production that is being lost in mid-California today. Now, one may hold back on their own private resources or cut back their cutting programs, but if they are affected that way then this just happens to be their case.

Now let's take a look at private ownership, and I would like to dwell on this just a little bit—what may happen as a result of the decisions of this committee and others like it, and how it may affect private ownership, private ownership that grows timber. An example is generally the best case sometimes to illustrate a position or a case. Let's say that I own 500 acres, 200 acres, whatever it is, and it has a few million feet of timber on it, and this timber is taxed; the land is taxed and I make a payment, a substantial payment, to the

county every year for this. If I am restricted from disposing of my product for its highest and best use of which the tax assessor has taxed my land for its highest and best use, then my rights have been deprived, haven't they? They have actually been condemned, haven't they? Now one would say 'well, just run over to the local sawmill and sell it to the local sawmill'. Well, sir, if you had a sawmill and Mr. Keysor had a sawmill and I was sitting over here and I had no other place to sell my timber, you would give me the price that you wanted to give me, and I would be at your mercy. And don't tell me that you wouldn't exploit me because you would.

Chairman Z'BERG: Well, that's speculation.

Mr. GATES: Well, it's just human nature, sir. Self preservation—

Chairman Z'BERG: Well, it's not the answer to my questions to you.

Mr. GATES: We all follow that pretty well. So again, what happens to the private rights; what happens to the guy growing timber who doesn't have a market for it; does he wait for this boat (?) that comes along every three or four years; does he bend for the public; and sell his product for something less than what he should on a competitive market? I think our free enterprise system is based on supply and demand and competition. Now, if we are going to say that the percentage, the 4%—if this is the right figure—that is shipped out of the United States is creating chaos in the United States then I think we are admitting that we can't compete with 96% of our resources against somebody that is taking 4%. I think that we are better than that.

Chairman Z'BERG: Okay, thank you very much, Mr. Gates.

Senator CRANSTON. The next witness is Robert Gomperts, President, California Council on International Trade.

Bob, we're glad to have you with us.

STATEMENT OF ROBERT GOMPERTS, PRESIDENT, CALIFORNIA COUNCIL ON INTERNATIONAL TRADE

Mr. GOMPERTS. Thank you, Senator Cranston, Senator Packwood. I do not appear here as an expert in the lumber or housing business, but international trade is my business, and I've been engaged in it for almost 30 years.

International trade has, unfortunately, for many years been the stepchild of U.S. business and very much of a whipping boy for Government officials.

That is to say that in private industry we have a huge and very profitable domestic business. And very often, our American business only turns to export when they have surpluses or when they have goods that are auctioned and can't be sold in this country.

As far as Government officials are concerned, you all know that imports are the whipping boy when we have an inefficient industry or now we come to the point where there is an attempt to stop exports as well.

The fact is that international trade is not a spicket that can be turned on and off at will or whim or as the case may be, on the basis of pressures.

International trade is vital to this country and becoming more vital. As I hardly need point out to you, we have a very serious deficit in our balance of trade in the past 2 years. In fact, that is growing at this time. And when we look at the possible needs for imports in the future, we must do everything we can to export wherever possible.

Now, we are talking about timber, where I understand that roughly one-half of 1 percent of all the timber harvested from fed-

erally owned land is exported. And on a national basis, something like 5½ percent of all the timber harvested is exported.

If you take the three States of California, Oregon, and Washington, the figure is approximately 10 percent.

We cannot simply isolate ourselves, I believe, from the international marketplace. We've seen in my own field, which is particularly food products from the west coast, many of our prices here have increased within the last year from 50 to 250 percent. And yet those industries that are conscientious and maintaining their international trade have continued to supply a part of their limited stocks available in dried fruit, in canned goods, in nuts in the export trade, because this is a vital trade and vital to the future.

When we started thinking about stopping exports because prices in the United States get high, we get a situation whereby, I understand, a bill was proposed that we stop the export of beef, because beef prices are going up. It has been suggested that we stop the export of scrap iron, because scrap iron is going up. The fact is, as I mentioned, international trade is vital. And if we want to have international trade play the important role that it must play in our economic life, we must be prepared to buy and sell in the international marketplace.

Essentially, it is my belief that the question of timber and log prices is a domestic problem, and I think we must find a domestic answer for this problem, just as we must find the domestic answers for other domestic economic problems, rather than trying to pawn it off on the international trade part.

I think that very substantial testimony has been given that the increase in prices of lumber while certainly partially attributable to export demand is by no means primarily dependent upon export demand. It is something that goes together with the housing industry here in the United States.

You have my prepared statement, and I'll be glad to answer any questions that you have.

Senator CRANSTON. Thank you very much.

I've long respected your dedication in doing your effective work on behalf of the International Trade Union.

As you know, I'm basically in full agreement with you on the need for the greatest possible trade between nations.

Do you feel that there is any difference between exporting a finished product, which contains a full input of domestic labor and the export of a raw material, which has no labor input of any kind, and is in short supply in the country from which it is exported?

Mr. GOMPERTS. That's a very difficult question. You have to look at it both from domestic and from an international standpoint.

I understand that at one time one of our basis for our support of the international coffee agreement was, for instance, the Brazilian coffee producers could not make instant coffee in Brazil. They had to ship us the raw coffee so we could make the roasted or the instant coffee in this country.

This is the opposite side of that picture.

I think that basically we should be prepared to sell on the world market those products that we have that are available. I think that testimony that has been given here today would rather tend to indi-

cate that if we try to limit, particularly to pay and to buy finished lumber, the result would probably be a much greater increase in lumber prices, because of the pressure of putting that lumber through the mills, rather than exporting it, as we're doing presently, in log status.

Senator CRANSTON. Do you see any problem for us connected with the fact that we receive some \$400 million from Japan for the logs that we export, which is great for the trade balance, but that we then turn around and pay somewhere between \$800 and \$900 million to Canada for the lumber—cut lumber we import from them, which goes, in part, to make up the deficit that we hadn't supplied, because of the export to Japan?

Mr. GOMPERS. That is one of the interesting factors and one of the things that makes international trade as interesting as it is.

We export almonds, we import almonds. They are required in different parts of the country. They are required in different qualities.

As I say, I'm no expert in lumber. I suspect that most of the lumber we import goes to the midwest and eastern areas where it can compete, and probably beat in price, western lumber that is used here or exported. I cannot say whether a ban on the export would, in fact, decrease the amount that we have to import. I have indications to believe it's not the case.

Senator CRANSTON. Do you feel that Japan has really opened its doors to the import of finished goods from the United States?

Mr. GOMPERS. I would say that there has been very, very serious steps taken in the past 6 months on the part of Japan in this direction, and I think we must continue to exercise the maximum pressure on Japan to make sure that this liberalization is completed.

Senator CRANSTON. What sort of pressure?

Mr. GOMPERS. Any kind of political and economic pressure that we can put on Japan in a legitimate state, without hurting our own international trade. We have used these pressures in the past. And Japan, on a whole, has been, I would say, particularly, recently, very cooperative in trying to rake the balance of trade between Japan and the United States.

Senator PACKWOOD. If it could be proven by cutting off our log exports to Japan that we could reduce our imports from Canada, and improve our balance of payments, would that be a justifiable reason to do it?

Mr. GOMPERS. Not of and by itself, because we'd also have to take in the question of what would we do with the lumber prices in the United States. If by cutting of imports from Canada we would increase prices of lumber that are shipped to the Midwest, the East and to the South, I think it would be economically a poor thing to do.

Senator PACKWOOD. There are going to be two arguments raised about cutting in the national forests. Most of the conservation organizations are of the opinion that we are cutting too much already, and they don't subscribe to the theory that we should be substantially increasing our cut in the national forests. Is that a fair factor to take into consideration?

Mr. GOMPERS. That refers to my belief that we should use domestic means to solve the domestic problems. In other words, what is

being exported now is being exported within the allowable cut. I personally am also very much in favor of the protection of the environment, and I would not favor increasing or artificially cutting more, in order to be able to export. We should, as a national policy, have a determination of how much we can harvest of our lumber crop, and then it's simply a question of whether some of that goes into export or not. But I do not believe that the two things are really that closely combined.

Senator PACKWOOD. You do not then subscribe to the theory that we are lumber short in this country, but only timber short; that we have created an artificial shortage of wood products?

Mr. GOMPERS. I'm not a sufficient expert in timber to be able to answer that. I have received indications that there—we are not lumber short as a crop. It is not like oil that you mine once and it's gone. If you have proper practices, you can reforest and do reforest and you grow a crop again. And I have heard that there are timber people in Washington who state that they have all the logs that are needed, and if other mills need logs they will be glad to supply them to them. If that is economically feasible, of course, is another question.

Senator PACKWOOD. I have no further questions, Alan.

Senator CRANSTON. Thank you very much.

[Statement of Mr. Gomperts follows:]

STATEMENT OF R. E. GOMPERS, PRESIDENT, CALIFORNIA COUNCIL FOR
INTERNATIONAL TRADE

My name is Robert Gompers and I am testifying before this subcommittee in my role as President of the California Council for International Trade, a San Francisco based California organization dedicated to improving conditions for fair and freer international trade. I do *not* appear as an expert in the lumber or housing business but rather to present a view on the proposed legislation as it would affect world economic relationships in general and the U.S. world trade and payments balance in particular.

Although a smaller percentage of this country's Gross National Product is involved in international trade than that of most major industrialized nations, we nonetheless are the largest international trading nation in the world. Until 1971 our world trade contributed a surplus to our over-all balance of payments, which for reasons unconnected with trade, has been in deficit for most years since the end of World War II. In 1971 we produced our first trade deficit in more than 80 years. In 1972 the trade deficit more than doubled. In the past 1½ years we have seen the U.S. dollar, the solid rock on which the entire world monetary system has been based since 1944, twice devalued. Over the past 10 years we have seen our once predominant holdings of gold and foreign currency reduced to the point where the reserves of both Western Germany and Japan surpass ours. Though it is an attractive expedient to blame this situation on Gnomes in Zurich or foreign restrictions against the importation of U.S. goods or the investment of capital, I fear that we fool ourselves—and most importantly, nobody else—if we believe that these are the primary reasons for the weakness of the dollar and our negative balance of trade. Currency speculators rarely if ever make or break a market or a currency; they simply take advantage of clear and obvious strengths or weaknesses. As to foreign restrictions, they no doubt exist, but U.S. restrictions against foreign goods entering this country also exist. In this field no country or group of countries is the exclusive culprit.

I sincerely believe that what is most urgently needed is a close look into American business and political attitudes toward international trade as a vital component of our economy. All too often American business, with some outstanding exceptions, has treated international trade as something to be invoked in times of surplus supply or as an outlet for goods which are not saleable in the domestic market because of inferior quality, changes in domes-

tic demand or requirements, product obsolescence or other nontrade oriented reasons. In the political field, international trade has been used as a whipping boy for unemployment, inflation, non-competitiveness, recession and a variety of other ills, where it is too painful—politically or economically—to point fingers at inefficient and wasteful or greedy domestic industries or labor practices.

The hard facts are, it seems to me, that even if international trade accounts for only 7 to 8% of GNP, trade is essential to our economic wellbeing. The United States is no longer in the position of being able to demand the right to call the tune on international trade and monetary policy but must start to behave as one of many important countries in reaching decisions on these matters. Japan, with its emergence as a major trading nation with one of the strongest currencies in the world, must be dealt with as an equal, not a satellite. The enlarged European Community, a bloc accounting for more world trade than the United States, must be treated as an equal, whose needs and views are of an importance equal to our own. Needless to say, our trading partners must also give our views and needs equally fair treatment.

Turning to the problem of lumber and log exports, I believe it is not reasonable or justifiable in this case or in any similar case, for any reason but overriding national interest, to ban the export of a domestic product which is in legitimate demand in other parts of the world. We must remember that we are part of the world, that we must live by the same rules as we wish to impose on others. When a foreign country has a product which is in demand in this country, we expect that such a product will be available to our importers and industries on a fair and competitive basis. It is essential that we extend the same rights to foreign buyers of our products. They certainly will not buy our goods if our prices are out of line with world markets or if our quality is not up to world standards. In order to prevent an increase in our trade deficit and to bring it into closer balance, we are urging as many industries as possible to participate aggressively and competitively in world trade. In the case of Japan, with which we have a huge balance of trade deficit, all kinds of pressures are being exerted to buy more goods from the United States.

Largely at our insistence and for her own welfare, Japan has almost eliminated her barriers to foreign products by wiping out residual quotas and cutting tariffs. Already she has agreed to limit some of her most profitable exports to the U.S., and she has revalued her currency upward. Clear signs were manifested early this year that, for the first time in a decade, Japan's imports are surpassing her exports. Trade groups such as ours, leading economists, governmental agencies and financial leaders are urging Americans to take advantage of newly opened and booming markets, pointing out that our agribusiness, our industries and our economy in general depend upon aggressive overseas marketing.

The bill in question flies directly in the face of these efforts, and it does not seem to me that a case has been made that there are overriding national interests which require such a drastic step. In spite of recent substantial increases in the price of lumber and logs, demand still exists, indicating that our prices (or qualities) are still competitive on the world market. As long as this is the case, there is no indication of unfair trade practice, and I believe that only in the light of conclusive proof of such unfair practices should efforts be made to curtail U.S. exports.

We understand that legislation was recently submitted to ban the export of beef because domestic prices have gone so high. We further understand a Northwest businessman has approached his congressional representatives asking for an embargo on scrap iron, which has also increased in price. Where would this trend end? In my own field, California fruits and vegetables, prices have increased in the past year from 50% to 250%. Would it be in the national interest to request that exports of these products also be banned? I think not.

The fact that a relatively small number of our citizens, possibly with disproportionate political muscle, and with particularly narrow economic interests, oppose the log export trade is not, I believe, good and sufficient reason to enact this legislation. It is contrary to the national interest. What must be remembered is that international trade is not a spigot which can be turned on and off in accordance with momentary whims or pressures or domestic or foreign housing booms. If we wish to compete in the international market place, we must, as do our competitors, be ready to engaged in international trade in good times as well as bad, as fair weather friends and trading partners will find themselves at the bottom of the list of preferred suppliers or customers.

This is a basic fact of international economic life, one which is already faced by American business leaders and which must be recognized by American political leaders as well.

In the years ahead, it is abundantly clear that we will rely more rather than less on international trade. Our needs for import of energy in the coming decades dramatically underline this. Nor must we overlook the millions upon millions of dollars of business we derive by selling our rich agricultural produce, our sophisticated electronics and aircraft, our canned goods, our know-how, our services to Japan and other foreign buyers each year. Are we prepared to jeopardize this business, thousands of jobs, and precious international goodwill to stop the export of logs, which is after all a drop in the bucket (only 5.5 percent of the nation's softwood harvest was exported last year)? Let us be rational; let us search for solid economic reasons why our lumber prices are high. I am not a forester, nor a miller, nor a homebuilder. But I know our prices were high before the log exports peaked late last year, and I suggest we devote our energies to finding domestic solutions for domestic problems.

We in international trade look to gentlemen like you, who have been in the forefront of the fight for fairer and freer international trade, to lead the fight in that direction as you have so boldly done in the past, even in the face of powerful opposition. By doing so you will have a nation deeply in your debt. I urge you to look more broadly at our national economic interests and to abandon attempts to have SB 1033 made into the law of the land.

Senator CRANSTON. Our next witness is Gordon Robinson, staff forester, Sierra Club headquarters.

We welcome you to this hearing.

STATEMENT OF GORDON ROBINSON, STAFF FORESTER, SIERRA CLUB HEADQUARTERS

Mr. ROBINSON. Thank you Senator Cranston and Senator Packwood.

Most Sierra Club members and members of Friends of the Earth strongly favor free trade. Most of us also are embarrassed by the fact that our country with only 7 percent of the world's population is consuming about 60 percent of the earth's resources. It is therefore difficult for us to take a position in support of trade restrictions.

However, we find that our forest resources have been seriously depleted and are being cut at a far greater rate than can be sustained. There is a fairly full statement of that in my prepared statement, and I will not go into detail, except for the benefit of others present, to point out that the Forest Service, in their recent publication on forest resources, which is now in draft form and being circulated in the country for comment, estimated now that, in fact, that there will be a 65 percent decline in logging from private lands in the west coast, over the next 25 years. Also, the statistics from that report show that there is barely enough timber remaining to continue logging on private lands more than 10 to 15 years.

I have developed information on several national forests, which indicate that the public lands, as well, are being cut far in excess of their capacity.

People speak frequently of allowable cut, but I would like to explain to you, if you haven't heard this before, that allowable cut is not the same thing as sustaining yield. The allowable cut is the amount of timber that is determined by an administrative decision that may be cut over a period of time. Sustained yield is the amount that can be cut—the amount that one estimates can be cut in perpe-

tuity based on the measurements of the growth and the condition of the timber.

The allowable cut, at the present time, that has been determined, of the national forests, is excessive. I have submitted considerable evidence of this in my report, for your information.

Now, we in the Sierra Club and the Friends of the Earth are concerned about this situation basically for two reasons. First of all, it's because we find that it's absolutely necessary to balance our resource budget. This takes priority over concern for trade, for employment, and all the other matters that you've been hearing. We can adjust ourselves to changing situations, as long as we balance our resource budget. But if we don't do that, we run ourselves off the edge that we, throughout the Nation, we licensed foresters, require that there be no logging except under the supervision of those who are licensed. I think that every timberland owner should be required, by the States, to prepare and file with the State, some form of a sustained yield management plan. I think there should be restriction on the amount of timber that one can cut from his own land, until the forests are replenished and restrictions maintained, in order to sustain a yield. This is done in European countries in various ways. And I think the time has come for us to do it here.

Senator CRANSTON. Do you feel that reforestation is not enough, that we should actually be planting or be requiring to plant more trees than are being cut down?

Mr. ROBINSON. Reforestation is not nearly enough, itself. That is correct.

Senator CRANSTON. Bob?

Senator PACKWOOD. I have no questions.

Senator CRANSTON. Thank you very much.

[Statements submitted follow:]

STATEMENT OF GORDON ROBINSON, STAFF FORESTER, SIERRA CLUB

Senators Cranston and Packwood: I am Gordon Robinson and I reside at 16 Apollo Road, Tiburon, California. I am the staff forester for the Sierra Club, a non-profit conservation organization with a membership of 140,000 whom I represent today. I am also representing Friends of the Earth on this occasion, an international conservation organization having a membership of 27,000.

Most members of the Sierra Club and Friends of the Earth strongly favor free trade. Most of us also are embarrassed by the fact that our country with only 7 percent of the world's population is consuming about 60 percent of the Earth's resources. It is therefore very difficult for us to take a position in support of trade restrictions and we do so only because of extreme urgency.

It is our finding that both our public and private forest lands in Western United States are being cut in quantities far beyond that which can be sustained. There remains barely enough privately owned old growth timber to continue the present rate of logging for 10 to 15 years. The Forest Service estimates a 65 percent decline in logging from private lands over the next 25 years. Excessive logging on the National Forests has led to public outrage. Time and time again studies have shown that the Forest Service is defying Congress by practicing neither sustained yield nor multiple use. No less than six recent studies of the national forests substantiate environmentalists' claims that the forests are being vastly overcut. Two of these were on Montana's Bitterroot National Forest. Other forests were West Virginia's Monongahela, two forests in Wyoming, Montana's Flathead and Alaska's Tongass. In view of this alarming situation we have no choice but to oppose log export until such time as the Forest Service returns to sustained yield management of the national forests within the constraints of multiple use, and we somehow achieve a decent level of sustained yield management of our private forest lands.

We are concerned for two reasons. First, it is necessary for us to balance our resource budget for survival of our civilization; second, the excessive

demand for timber is threatening our park, wilderness and other roadless areas needed for ecological control, and for watershed, wildlife and recreation.

Industry has never accepted responsibility for practicing sustained yield forestry on private lands, except in a few isolated instances. Conservationists have warned of this situation repeatedly since the turn of the century. Congress has debated the subject on many occasions, but no effective program to bring adequate forest management of private forest lands has ever been adopted. We are now reaching the end of our high quality timber resources. During the past 20 years as private timber has become scarce, industry has gone to the Administration for ever increasing volumes of timber sales from the national forests. I am sure you are much aware of the timber industry's present campaign. Only two weeks ago the Director of the Cost of Living Council on behalf of the Administration announced that the Forest Service has been ordered to increase the sale of timber this year by 1.8 billion feet. This countermands Chief John McGuire's plans to implement the Senate's guidelines for clearcutting, and must be very painful to him.

Through response to such pressures, the allowable annual cut on the national forests has become grossly inflated. I will not burden you with a description of the various rationalizations which have led to this difficult situation. Rather I refer you to my testimony before the Senate Subcommittee on public lands, April 5, 1971 on the subject of clearcutting. Evidence of the actual result is perhaps more convincing. The Forest Service published a report entitled "The Douglas Fir Supply Study" in 1969, summary of which is attached. The report considers a variety of alternative timber management programs on the 7.3 million acres of national forest land in the western portions of Washington, Oregon and northern California. Table 1 on the first page of the summary in the left hand column shows the present program described in the opening paragraph. You will see that the annual volume of saw timber sales during the first decade was 2.9 billion feet. The second figure in that column indicates the average volume they expect to sell during the period of conversion to even-age management to be 2.7 billion board feet. The third number in that column shows the anticipated sustained yield during the second rotation to be only 1.8 billion feet or one-third less than the present allowable cut. The other alternatives reported upon in that document all indicate similar or worse relationships between current cutting and anticipated sustained yield.

This is only part of the story, however. In October 1971 the Intermountain Forest & Range Station published a report entitled "Stratification of Forest Land on the Western National Forests" by Wikstrom and Hutchison in which they state that the area suitable and available to growing tree crops on the western national forests is as much as 22% less than had been previously estimated. This report was based on a study of six western national forests believed to be representative. It may therefore be assumed that the 7.3 million acres referred to in the Douglas Fir Supply study is considerably greater than actually available for sustained yield management. It should be noted that a reduction of the land base by 22 percent would not reduce the sustained yield by the same amount because the deleted land would necessarily be land with very low productive capacity. My guess is that correction of the land base would reduce the annual cut in the second rotation to about 1.5 billion feet, making the fall down 50% rather than only one-third. You can see that much for yourselves from portions of the reports I have referred to, attached to this statement.

There will actually be a far greater fall down however, because of other factors too technical to discuss at this hearing.

Dramatic evidence is to be found on the North Tongass National Forest in Alaska. I want to explain several things in some detail to show why evidence from Alaska is relevant. First, it is only in Alaska that the Forest Service has made timber sales of such large size and covering such long periods of time that the errors become obvious. Second, there are many specific decisions that must be made in the process of making an inventory of forest resources, developing a timber management plan, and calculating an allowable cut. These involve such things as the size of a merchantable tree, the number of years trees should be allowed to grow before they are cut, and of course many more. Most of these questions are subject to valid determinations over a fairly wide range of values. For instance, we may assume that the minimum merchantable tree for purposes of calculation is twelve inches in diameter. Or we may assume nine inches with approximately equal validity. The problem is that most of these flexible decisions have been made at whichever edge of the range

of valid possibilities tends to maximize the allowable cut. Therefore, while one can rarely call any one of the many decisions wrong, the combined effect of the bias in these decisions is an allowable cut that can not be maintained. Third, you must understand that the basic instructions which have led to this deplorable situation originate in the Washington office of the Forest Service and therefore apply to all regions.

Getting back to the Tongass National Forest, there they entered into a 50-year contract with Alaska Lumber and Pulp Corporation in 1956, to cut 5.25 billion board feet of timber from approximately one-eighth of the entire national forest area of Southeastern Alaska. The purchasers began logging about 1959, and complained immediately that the amount of timber in the sale area was grossly exaggerated. Complaints continued over the years until finally in 1969 the Regional Forester appointed a joint survey team to determine how much commercial timber remained in the 50-year allotment. The team was made up of representatives of the Forest Service Experiment Station and the pulp company. They reported that the commercial timber in the remainder of that allotment was overestimated by the stupendous amount of 797 percent (seven hundred and ninety seven percent). In other words, the area contained only 12½ percent of the timber the Forest Service had sold them.

There is little doubt that similar situations exist throughout the country; elsewhere they are simply less apparent.

Possibly I should have mentioned earlier that while laymen's complaints about management of the forests has centered around clearcutting, as a forester I want to assure you that clearcutting is only the visible symptom of short sighted management. The real and underlying problem is *excessive* cutting, or failure to practice sustained yield management. They clearcut because that is the only way they can meet their excessive commitments! Most of the technical arguments in support of clearcutting are mere propaganda.

The United States contains sufficient forest land to provide for this country's needs for wood well into the future, assuming we take the measures necessary to assure sustained yield. However, we must endure a period of scarcity and high prices until restoration has been accomplished, because of past failures.

I was shocked a day or two ago to receive a copy of the instructions sent to the Forest Supervisors in California by our Regional Forester on measures they should consider as means of meeting the Administration's order to increase sales this year. They include:

(7) Do more clearcutting, because it produces the maximum volume per acre. "Don't enlarge cut units but make more clearcut sales to get volume."

(8) Increase the volume in sales currently under preparation by adding additional clearcut blocks.

(8) Make intermediate sanitation cuts and sell timber in large blocks or partially cutover areas already roaded. (In other words, go back to areas previously logged selectively and sell the rest of the timber.)

(20) Delay engineering until after the sale is made. (Thus dispensing with environmental concerns in road locations until after timber has been committed, when it may be too late.)

(25) Defer long range planning if it is not compatible with timber selling goals.

CONCLUSION

In conclusion I repeat our request that Congress prohibit the export of logs from both public and private lands until the United States Forest Service returns their management of the national forests to sustained yield and multiple use, and until we require sustained yield management of our private forest lands.

I have carefully studied your bill S-1033 and find it to be exceedingly well thought out. I urge its passage.

I urge that legislation be drafted that will require sustained yield management of our private commercial forest lands, along the lines of the Metcalf bill S-2515 introduced in the last session of Congress.

Finally, I urge that legislation be drafted to enable the Forest Service to obtain and publish adequate statistics on the condition of our private forest lands to enable us to intelligently plan for America's future wood requirements.

I am attaching a corrected reprint of my article "Our Export Forests" which appeared in the January issue of the *Sierra Club Bulletin*.

I request that the attached papers be printed in your hearing record along with my statement.

DOUGLAS-FIR SUPPLY STUDY

Alternative Programs for Increasing Timber Supplies From National Forest Lands

**Regions Five and Six
Pacific Northwest Forest and Range Experiment Station
Forest Service
U.S. Department of Agriculture
1969**

SUMMARY

About 2.9 billion board feet of softwood timber are harvested yearly from 7.3 million acres of National Forest land in western Washington, western Oregon, and northwest California classified primarily for timber production. To help determine whether a larger contribution toward meeting the accelerating timber needs of coming decades could be made, Forest Service analysts prepared this assessment—identified as the Douglas-fir Supply Study—of alternative timber management programs.

The Douglas-fir Supply Study examined the effects which three intensities of timber management, two rates of road construction, and five lengths of rotation would have upon timber harvests and other values in the Region. Only the effects of the current rotation and the shortest rotation studied are shown in this report. The current rotation averages 100 years for the low and medium intensity management alternatives; and 100 minus 5, or 95 years, for high intensity management, because the time required to establish new trees on the harvested area (regeneration lag) was eliminated. The shortest rotation averages 100 minus 30, or 70 years, for the low and medium intensity management alternatives, and 95 minus 30, or 65 years, for high intensity management. The

four combinations of intensity of management and rate of road construction for each rotation examined in this report are:

1. Low intensity management with current rate of road construction (roading).
2. Medium intensity management with current rate of roading.
3. Medium intensity management with accelerated rate of roading.
4. High intensity management with accelerated rate of roading—same accelerated roading as under medium intensity management, plus the construction of additional roads into nonproducing brushfields within 10 years.

The effects of each alternative on future timber harvests were estimated for the next 12 decades. The costs of these programs, the dollar returns from the sale of timber (stumpage returns), and their impacts upon the local and Regional economy were also determined.

COMPARING INTENSITIES OF MANAGEMENT—CURRENT ROTATION

Table 1 summarizes some important results of low, medium, and high intensity management with *current rotations*. Data are shown for the first decade, which reflect the immedi-

Table 1.—Results of low, medium, and high intensity management with current rotations

	Intensity of management			
	Low		Medium	High
	Current roading	Current roading	Accelerated roading	Accelerated roading
Annual volume of sawtimber	<i>Billion board feet</i>			
1st decade	2.9	3.7	3.8	4.0
12-decade average	2.7	3.3	3.3	3.6
2nd rotation	1.8	2.1	2.1	2.7
Annual costs — All funds	<i>Million dollars</i>			
1st decade	61.2	62.6	73.5	78.2
12-decade average	28.4	29.5	29.7	35.1
2nd rotation	16.8	17.6	17.6	23.6
Appropriated funds				
1st decade	25.6	27.0	38.3	41.7
12-decade average	17.4	18.6	20.1	24.6
2nd rotation	12.5	13.3	13.3	18.3
Annual stumpage returns				
1st decade	121	144	146	152
12-decade average	157	180	181	199
2nd rotation	105	118	118	149
Additional present net worth	—	536	481	648
Rate of return on additional funds	—	2%	40	41
			<i>Percent</i>	

**USDA Forest Service
Research Paper INT-108
October 1971**

Stratification of Forest Land for Timber Management Planning on the Western National Forests

J. H. Wikstrom and S. Blair Hutchison

**INTERMOUNTAIN FOREST AND RANGE EXPERIMENT STATION
Forest Service
U. S. Department of Agriculture
Ogden, Utah 84401
Robert W. Harris, Director**

Overestimation of the timber growing base

Former timber inventories on the six National Forests that were analyzed indicated an aggregate timber growing base area of 4.1 million acres. However, this timber growing base is reduced to 3.2 million acres when careful account is taken of soil-slope conditions, land productivity, and land use. In other words, the area suitable and available for growing tree crops on these six National Forests is 22 percent less than had been previously estimated.

The timber growing base was not overestimated to the same degree on all of the six Forests. On the Gifford Pinchot Working Circle, the decrease is only 11 percent as compared to 40 percent decrease on the Arapaho National Forest. (Data for each of the six areas are presented elsewhere in this report.) The significant point is that, in every case, a more careful and critical look at availability, growth capacity, and land suitability (primarily stability) resulted in a significant reduction of the area deemed suitable and available for timber growing.

These reduction figures did not come as a surprise; National Forest administrators have recognized this problem for several years and have been decreasing the area figures used in calculating allowable cuts. This study is, therefore, distinguished primarily by the fact that it represents the most systematic effort to identify and measure the factors that reduce the land base for timber growing on the National Forests.

Much of the land excluded from the timber growing base by the tighter standards and more systematic classification of this study is on the lower end of the productivity scale. Thus, the 22 percent reduction in timber growing base area on the six Forests does not indicate that the timber producing capability will be reduced by that amount. Data inadequacies prevented determining the exact effect of area reductions on yield capabilities for all of the National Forests. However, on the Coconino National Forest the timber growing base area was reduced by 28 percent, but the growth capability of that National Forest was reduced only 18 percent. On the Gifford Pinchot Working Circle the decline in growth capability was 7 percent as compared with 11 percent decrease in acreage.

The factors that affect classification of the timber growing base vary so widely from place to place that few generalizations are safe. Land use considerations of one sort or another were a big item on all but one National Forest. However, land instability, low productivity, and uneconomic units are all important to different degrees on different Forests.

Following are the percentages of the total 0.9 million acres eliminated from the timber growing base of all six National Forests. Please remember that we have no basis for saying just how representative is each of these percentages. They are presented only to indicate that each factor is important.

Our Export Forests

Eight Billion Feet
a Year for Japan



GORDON ROBINSON

*Gordon Robinson is forestry consultant
to the Sierra Club.*

FOR YEARS, Weyerhaeuser and other big timber companies have been reaping profits by selling timber cut from their own private forests—their “tree farms”—to Japan. At the same time, Weyerhaeuser and the rest of the industry have been fighting what they call “lockups” of natural forest lands as parks and wilderness. They point to rising lumber prices and the growing need for new housing as reasons why logging companies should be allowed to cut more and more timber on public lands. Yet if lumber is needed so badly at home that we are urged to allow our national forests to be opened up to increased logging, why are the big companies exporting their private timber to Japan instead of selling it on the domestic market? Why did the US in 1970 export almost 14 percent of its total annual harvest of wood suitable for lumber production?

While the big companies enjoy their brisk trade with Japan, many smaller firms increasingly have felt an economic pinch resulting from the overcutting that has been allowed in our forests. In some areas small mills have been forced to close because local timber supplies have been severely reduced or exhausted. Travelers in the western United States frequently are shocked by the sight of tremendous clearcuts and often judge from what they see that industry's days are numbered. The fact is that cutting is expanding at a rate that threatens to destroy the forests entirely in the near future and that industry pressures to increase this rate stem in part from the large amount of wood exported each year to Japan. If this wood were sold instead to domestic manufacturers, the growing pressures on our remaining forest resources would be eased considerably.

Exports and Imports

THERE HAS been widespread confusion about the amount of timber being exported and the effect of this trade on American domestic demands because transactions involving logs, lumber, plywood, and pulp are each reckoned in different units of measure. Logs and lumber are measured in board feet, but with logs this measurement is computed according to the long-log scale, which underestimates the amount of lumber in each log by as much as 40 percent.

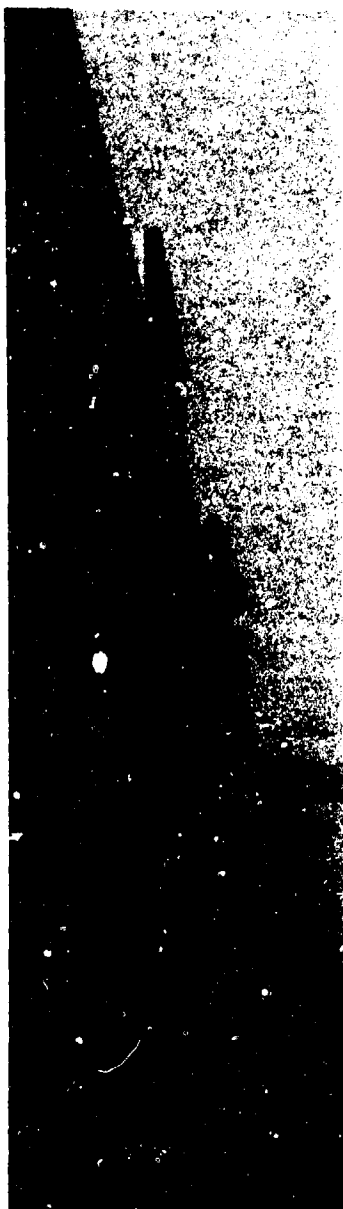
Plywood is measured in square feet of 3/8-inch-thick sheets. Pulp and paper are measured sometimes in cords, sometimes in tons. In the accompanying table, we have converted the export, import, and total consumption figures for the various wood products as reported by the Department of Agriculture for 1970 into equivalent board feet of actual or potential lumber.

There is a common misconception that logs exported to Japan are returned to the United States in the form of plywood and lumber. This is not true at all. Both log and lumber exports are practically all softwood (pine, redwood, Douglas fir, etc.) and are used at home by the countries receiving them, including Japan. With regard to the other items, the amount of plywood we export is negligible and also is mostly softwood. We import mostly hardwood, with the sources about evenly divided between Japan, the Philippines, Taiwan, and Korea. Our softwood lumber imports come from Canada, with most produced in British Columbia and shipped to cities in the East. Our pulp exports are practically all softwood, half of which go to Europe, with the remainder about equally distributed between Japan and Latin America. Our pulp and paper imports come mostly from eastern Canada. Finally, we exported about two billion tons of wood chips to Japan in 1970, but this figure is not included in the table because the chips are believed to be made from mill waste and not from material that could be cut into lumber or plywood.

Altogether, our exportation of wood, pulp, and paper in 1970 amounted to the equivalent of 8.1 billion board feet. We can appreciate just how much wood this is by considering that the Department of Agriculture in 1969 reported that the average residence required 7,170 board feet of lumber and 3,300 square feet of plywood, for a total of about 8,700 board feet. At this rate, the amount of wood exported in 1970 was sufficient to construct over 900,000 residential units, well over one-half the number (1,463,000) actually started that year, and nearly half that 2,080,000 started in 1971.

Historical Background

THE LOG EXPORT BUSINESS really began at the end of World War II when Japan faced a critical



timber shortage. Her forests had been overcut during the war and were grossly inadequate to meet the demands of reconstruction as well as for wood to supply new, badly needed pulp mills. Hoping to forestall establishment of trade relations between Japan and communist governments on the Asian mainland, the Japanese timber industry's Council for Integrated Counter-Measures for Forest Resources in 1952 approached General Douglas MacArthur, commander of the allied powers in Tokyo, to ask if Japan could import timber from national forests in Alaska. At first, the council proposed a free port in Alaska to which logs from the Tongass National Forest—cut by Japanese—would be sent for shipment to mills in Japan. Later, this plan was altered to provide instead for the establishment of manufacturing facilities in Alaska because the Forest Service's policy required—and still does—that timber from Alaska's national forests be processed at least to some degree in the territory. The first tangible result of the Japanese plan was incorporation of the Alaska Lumber and Pulp Company (ALP) in December, 1953. This firm was financed entirely with Japanese funds solicited from 15 chemical fiber manufacturing companies, 21 trading companies, and 13 pulp and paper companies. ALP contracted with the Forest Service in October, 1957, for 5.25 billion board feet of timber to be cut over a period of 50 years from Baranof and Chichagof islands. Since then Japanese firms, either by acquisition of mills or by long-term purchase agreements, have come to import almost the entire yield of the Alaska forest industry: pulp and lumber, as well as those logs from private lands to which the requirement for local manufacture does not apply.

Meanwhile, several other important developments in the American timber industry also were helping to stimulate the export of logs to Japan. For example, foresters for many years had hoped to find markets for small logs in order to make thinning (which increases the growth rate of healthy young trees) economically feasible. Japan proved to be a willing customer for young timber, so several large firms in the Pacific Northwest began to sell to Japan.

In California, which taxes timber only when it is 40 years old or otherwise declared mature, second-growth

forests were beginning to come of age, and their owners, suddenly confronted with new taxes, soon found they could sell their young-growth timber to logging contractors, who in turn sold the logs to Japan. Finally, in 1962, the savage Columbus Day storm blew down trees all along the Pacific Coast. Because the number of trees involved far exceeded the capacities of our own mills, much of this timber also found its way to the export trade.

The new market was pleasing to some: to the government agencies who hoped to wean Japan away from the Asian continent; to small businessmen in Alaska eager for development; to large lumber companies ostensibly wanting to thin their second-growth forests; and to distressed taxpayers. Others suffered. From early 1966 through mid 1968, the lumber business generally was not good. Lumber and plywood prices were soft while competition for the purchase of trees (competition created in part by the booming export business) drove stumpage prices in some cases to unprecedented levels. Consequently, a number of firms, particularly those without their own timber resources, were forced out of business because they were caught between low selling prices and the high cost of raw materials.

Public Hearing

FINALLY, in January, 1968, Senator Wayne Morse, then chairman of the Senate Subcommittee on Retailing, Distribution, and Marketing Practices, called a series of public hearings on log exports. The four volumes of testimony collected between January and July read as if they comprised a scenario in which various factions played roles assigned to them by the big outfits, who did not testify. This, may or may not have been the case, but the events suggest at least that the timber industry was preparing to raid the national forests with the help of several federal departments and certain members of Congress.

The forest products industry of Oregon and Washington, through its five major industry associations and with the support of the United Brotherhood of Carpenters and Joiners, urged federal land management agencies to restrict immediately the export of logs originating on federal lands to the 1966 level of 350 million board feet.

forest industry spokesmen pointed out that the national forests were the principal source of timber for the "independent" mills (the small operators), and showed that log exports had intensified competition for federal timber, thereby increasing stumpage prices (the price of standing trees) in national forest timber sales. They also pointed out that when log exports first began, only inferior grade timber unwanted by American industry was exported, but that as the trade increased so had the quality of logs leaving the country, so that by 1968 the very cream of our Western forests was going abroad. Why? Because the Japanese were paying higher prices than American mills were willing or able to pay.

Following this testimony, a spokesman for the National Forest Products Association, the industry lobby in Washington, D.C., described the accelerating demand for lumber needed for residential construction and argued that if log exports from the Pacific Coast continued to increase the burden of supplying construction lumber would shift to other regions. He also feared that as lumber prices continued to rise, consumers would use less wood and more brick, stone, glass, steel, plastics, and aluminum.

Throughout the hearings, almost every witness avoided discussing the possibility of restricting the export of logs coming from private lands, which explains perhaps why the big outfits, which indulge in this practice on a grand scale, saw no need to be represented at the hearings. But consider how strange it is that this subject was so scrupulously avoided when it is precisely the exportation of private timber that is chiefly responsible for the economic pinch in which the small, "independent" mills find themselves. If this wood were sold here instead of to Japan, the domestic lumber "shortage" would be allayed, stumpage prices would be reduced, and pressures to cut more timber in the national forests would be eased. So why didn't the forest industry of Oregon and Washington demand that exportation of private timber be restricted along with that originating on public lands?

The Department of Commerce was asked what it could do under the Export Control Act to reduce log exports from national forests. It replied that controls on the exportation of mate-

rials in short supply are applied only when it becomes necessary to protect the domestic economy from an excessive drain of scarce materials and to reduce the inflationary impact of abnormal foreign demand. It contended that such conditions did not exist in this case, despite all evidence to the contrary, and that the department therefore did not have authority to impose controls on log exports under the provisions of the act.

The State Department further complicated matters by expressing its concern about the impact of export restrictions on our balance-of-payments and long-range relationship with Japan. It insisted that while the State Department is not in charge of government forest policy, neither is such policy the exclusive responsibility of the Department of Agriculture. It advised that forest policy must be an agreed Administration position, which should be negotiated with the Japanese government.

The melodramatic climax had arrived. What were the small operators to do? The Department of Commerce would not restrict the export of public timber; nobody, it seems, wanted to restrict the export of private timber. Were the "small" lumber companies simply going to be left to die? Was there an answer to their dire predicament?

Help was on the way. The Treasury Department, in the Administration's second appalling display of bureaucratic interference, introduced a staff report recommending a complete change in policy for managing our national forests, which it had prepared without having a single forester on its staff and without even consulting the Forest Service. Smelling suspiciously of Weyerhaeuser's "High Yield Forestry," this astonishing document called for vast increases in the allowable cuts, to be met by shortening forest crop rotation periods and accelerating liquidation of old-growth timber to maximize the industry's theoretical return on "investment"—as though our virgin forests were a financial burden to the poor taxpayers. The report recommended that the Forest Service intensify management by 1) accelerating road construction; 2) using balloons to lift timber off steep, unstable slopes and areas not otherwise accessible and 3) through thinning, pruning, and fertilizing. The Treasury Department even wanted to

permit the export of logs from Alaska's national forests, and suggested an amendment of the Jones Act to permit shipping of forest products between American ports by foreign vessels.

But of course! If you couldn't restrict exports of public timber and didn't want to restrict exports of private timber, even though a so-called lumber shortage was driving small operators out of business; if, in other words, you wanted to have your cake and eat it too, the obvious answer would be to open up even more public forest lands to logging. No wonder nobody talked about private timber exports. No wonder the big outfits, such as Weyerhaeuser, didn't even show up at the hearings. Why should they, when a "better" answer was there all along? By opening up the national forests, the big outfits could keep their lucrative export business, the small companies could have more wood, and the government could have its balance of payments. Only those who wanted to see the national forests properly managed would be disappointed.

Ed Cliff, then chief of the Forest Service, understandably was shocked by the Treasury Department's surprise testimony and overwhelmed by the concerted efforts of industry and administration departments to pressure him. He disagreed that allowable cuts could be increased in anticipation of work to be accomplished sometime in the future and explained that experiments in logging and fertilization would require much research before they could be effective. He opposed suggestions for rapid liquidation of old-growth timber and the shortening of rotation periods, and strongly objected to any change in the Alaskan policy, protesting that there was no way to increase the allowable cut there. Unfortunately, he weakened his stand and paved the way for compromise when he added, "there are some ways by which a justified increase in allowable cut can be made," including accelerated road construction, salvaging dead and dying timber, thinning young stands, reforesting non-stocked land, more efficient utilization of timber, and new logging methods. He also pointed out, however, that to do all these would require considerable time and expense.

Unfortunately, Ed Cliff's best advice was offered with so little emphasis



that no one seems to have heard it. In his quiet manner he indicated that our basic need is for sustained yield management of *all* our commercial forest lands, public and private, while presumably free competition would determine the distribution of our forest products. "It seems to us," he said, "that putting a limit on federal timber should not be as effective in the long run as changing the mixture of what is exported so that sawn lumber, plywood, partly processed lumber, wood chips, pulp, and logs all be exported. There needs to be a balance in these products *that this country can sustain*."

Cliff did his best to maintain the integrity of the Forest Service. But he failed to emphasize in his testimony that allowable cuts had already been greatly increased in the national forests. By trying to placate his opponents with a list of ways in which allowable cuts could be further increased, he laid the service open for the Timber Supply Act and subsequent battles now occurring in the Nixon Administration.

Missing Voices

CONSIDERING HOW willing the State and Treasury departments were to express their views, it is curious that the Internal Revenue Service was so reticent, especially when its testimony could have thrown considerable light on the chief motivation for the export trade: the huge profits being made on log exports, thanks to the capital gains tax. For example, a large lumber firm buying timber lands just after World War II would have paid somewhere between \$1 and \$10 per thousand board feet, depending on species, quality, and location. To log, transport, and sell that same timber today costs about \$25 per thousand board feet, which brings the total cost of this wood to somewhere between \$26 and \$35 per thousand board feet. During this same period, the value of this timber would have risen, so that in 1970 the average price paid for exported logs was \$127 per thousand board feet. Owing to the special tax rates applicable to timber, however, only part of this appreciation in value was taxed, so that the owners were able to realize about \$50 per thousand board feet net increase. This figure, when applied to the 2.4 billion board feet exported from private lands in 1970, yields a net profit

in the neighborhood of \$120 million. This year, of course, both prices and exports are considerably higher than in 1970. No wonder everyone was so quiet about exports from private lands.

Another voice sadly missing from the hearings was that of conservation. Environmentalists had not yet come to appreciate fully what had happened to our national forests, nor were they prepared to help Congress decide on the issue. Consequently, the result of the 1968 hearings was inconclusive and did not address the real problem, which was—and still is—the export of private timber. Instead, the Administration ordered that exports of logs from public lands be cut back to 350 million board feet per year and that the status quo be maintained in Alaska. This arrangement—the Morse Amendment—was confirmed by Congress, while in other places preparations were underway to introduce the 1970 National Timber Supply Act.

This time, however, environmentalists were ready to do battle, having come to suspect that the Western national forests are being overcut at between two and three times the rate that can be sustained and to realize that private lands are being overcut at an even greater rate. Environmentalists succeeded in defeating the timber supply act, but they can anticipate similar, even more difficult, battles in the future, as the overcutting continues.

More Public Hearings

WE CAN ONLY speculate as to what produced the remarkable silence with respect to private log exports during the 1968 hearings, but one possibility is that the big outfits had persuaded the smaller companies to refrain from opposing private exports in return for help in obtaining additional timber from the national forests. If such an agreement existed, however, it surely must have fallen apart when the National Timber Supply Act failed to pass. In any case, by the time Senator Robert Packwood (acting chairman of the Subcommittee on International Finance) convened another set of hearings on timber exports in June, 1972, the smaller companies had changed their minds. This time, two major industry organizations, a dozen or so smaller companies, and several conservation organizations, having at last discovered a

common objective, united to strongly oppose *all* log exports, from private as well as public lands—though some of the smaller companies were willing to accept a gradual reduction of private timber exports over a period of several years.

They agreed that a reduction in exports would improve the log supply for independent operators and increase the amount of wood available for housing without impairing prospects for establishing wilderness areas or practicing sustained-yield forestry on the public lands. They also agreed that, contrary to the assurance Wayne Morse received in 1968, public timber was indeed being substituted for private timber, which if not exported would be available for domestic use. Furthermore, someone finally showed that a ban on exports would not really hurt our balance of payments, but would more likely help, because Japan would respond by purchasing larger quantities of more costly manufactured lumber and plywood. The old argument that Japan would instead buy logs from Canada was answered with the fact that both Canadian and British Columbian statutes, for all practical purposes, make the exportation of logs nearly impossible.

Oddly enough, the opposite position to that of the conservationists and smaller timber companies was taken, not by Weyerhaeuser or one of the other giants, but by spokesmen from the states of Oregon and Washington. First, Governor Tom McCall of Oregon and two officials high in his administration made separate statements urging termination of log-export controls in favor of uninhibited free trade. They were joined in this opinion by the Commissioner of Public Lands of the State of Washington, who reported that a referendum in his state supported totally uncontrolled log exports by a popular vote of two to one. He went so far as to propose amending the Export Control Act to apply only in case of a national emergency. Obviously, both states welcomed the boom (and bust?) economy that unrestricted exports would produce.

Weyerhaeuser, testifying for the first time at any hearing on the subject, tried to appear to be in the reasonable middle of the road. The company spokesman urged continuation of the Morse Amendment with no restrictions on the export of private timber. This would permit the company to

continue reaping profits from the export of its own timber, while allowing export of just enough public timber to invite brisk competition for national forest timber sale offerings. This would establish high stumpage prices for income tax purposes, without cutting materially into Weyerhaeuser's export business. For whatever reasons, Weyerhaeuser was joined by the Forest Service and the powerful National Forest Products Association in advocating maintenance of the status quo.

Weyerhaeuser has good reasons to want to protect its export business: its net sales of logs, timber, and wood chips (which amounted to \$44 million in 1966) rose to a stupendous \$220 million in 1970. Weyerhaeuser alone exported almost half the total volume of logs and chips that went to Japan last year. But there seems to be more to the story. For example, we have recently learned that Weyerhaeuser, which owns 30 percent of the industrial forest land in the Pacific Northwest, is using the profits from the exportation of the timber on this land to finance a \$1 billion expansion program in other parts of the world. Observers are speculating that the company plans to sell the timber from its Northwest holdings and then get out—cutting and leaving in the fashion that has characterized the timber industry from the beginning. George Weyerhaeuser himself has said that the forest industry in the Pacific Northwest cannot compete with that of Eastern Canada and the Southern states because of high transportation costs, nor with that of British Columbia because of the Jones Act, which requires that goods shipped between American ports be handled by American ships (which are more expensive to operate than foreign vessels). So Weyerhaeuser may be phasing out of the Northwest and has admitted using the receipts from sales of logs and chips to Japan to finance new operations in the South, Eastern Canada, British Columbia, and Indonesia. The company does not even have to borrow money to any extent to finance this move, thanks to its thriving export business.

Weyerhaeuser has already begun to close up shop in the Northwest. Several years ago, having cut most of its timber near Eureka, California, Weyerhaeuser closed its mill there and disposed of the cut-over land. On Janu-

ary 18, 1972, the company announced that it had liquidated all the old-growth timber on its Molalla River Tree Farm in Oregon. Once again, it shut down its operations and disposed of the cut-over land, a move that cost many jobs. Later that same month, Weyerhaeuser announced the closure of its sulphate mill in Everett, Washington, located on the site of George Weyerhaeuser's first sawmill in the West, built in 1960 after the company had pulled out of the North Woods of the upper Middle West.

Where do we go from here?

WHETHER the State Department has to negotiate with the government of Japan over wood exports, or whether we have to think about wood substitutes for housing construction, is not crucial. What is of critical importance is that we take immediate steps to restore our forests. We must demand that the Forest Service and the Bureau of Land Management practice sustained-yield and multiple-use forestry as required by law. It is perhaps even more important that we develop a program that will require a decent level of sustained-yield management of our private commercial forest lands. After all, they comprise four times the area of the national forests and 20 percent of the entire area of the contiguous states.

Proper management of both public and private forests consists of limiting the sale of timber to those quantities that can be sold annually from each forest in perpetuity without a decline in quality, practicing a selection system of management appropriate to the

species involved, maximizing the diversity of species and ages of trees, and being extremely careful to protect the soil. Such management provides for an optimum production of water, wood, wildlife, and recreation. Marginal and submarginal public forest lands should be withdrawn from all forms of development and managed for protection only, with emphasis on watershed, wildlife, and other public values.

Unless we now control further exportation of private timber, thereby easing the pressure on our national forests, such enlightened forestry practices as those described above will stand little chance of implementation. Right now, the prospects are not good. For example, the Internal Revenue Act of 1971 provides for the establishment of Domestic International Sales Corporations (DISC) to stimulate exports. Under this provision, 50 percent of DISC earnings can be permanently exempted or deferred from federal income tax. Even now, Weyerhaeuser is in the process of setting up such a subsidiary to handle its log export business. Finally, the trade delegation recently sent to Japan by the President is reported to have negotiated an agreement whereby Japan will import 700 million more board feet of logs this year than last in order to help our balance of payments. By such actions, it is clear that the Administration does not understand how important it is that we act now to protect our remaining timber resources. Therefore, it falls on Congress to forbid the export of logs—possibly even lumber products—unless the Secretary of Agriculture finds

that the nation's projected timber needs for five consecutive years could be entirely satisfied by domestic supplies. Otherwise, our extensive Western forests may soon be reduced, like those of the East, to isolated stands and fond memories.

AMERICAN IMPORT, EXPORT AND PRODUCTION OF WOOD IN 1970

Item	Import	Export	Domestic Production
(Figures represent billion board feet)			
Logs			
Softwood	.142	3.758	(a)
Hardwood	.050	.092	(a)
Subtotal	.192	3.850	(a)
Lumber			
Softwood	5.800	1.200	27.000
Hardwood	.300	.100	7.000
Subtotal	6.100	1.300	34.000
Veneer	.282	.049	(b)
Plywood			
Softwood	—	.051	6.255
Hardwood	.922	.026	.783
Subtotal	.922	.077	7.038
Pulpwood, Pulp and Paper	4.005	2.810	17.575
Total	11.501	8.086	58.613

(a) Included in lumber and plywood.

(b) Included in plywood.

1,000 square feet 1/4" veneer equals 150 board feet. 1,000 square feet 1/4" plywood equals 450 board feet. 1 cord equals 500 board feet, and it is assumed 50% pulp and paper is manufactured from sawlogs.

Memorandum: Department of Agriculture—Forest Service, Institute of Northern Forestry.

To: Keith Hutchison, Project Leader.

From: Jim LaBau.

Subject: The Joint ALP-USFS Sale Appraisal Study

As you are aware, the Sitka District Ranger's office and Alaska Lumber and Pulp have completed a joint appraisal of the Pelican, Hoonah, Kelp Bay, Alexander, Crawfish, and Sitka blocks of the Sitka Working Circle, an area which Forest Survey first inventoried in 1956.

Robert Mattson and I have studied this joint report in depth to the point that we are able to follow the analysis from the computer input through to the final tables. We also have been able to make meaningful comparisons between Forest Survey statistics and those statistics of the Joint ALP-USFS study and to offer comment on why these differences exist. Neither Bob nor I have the experience needed to pass judgment on the basis cost assumptions used in this study. We assume someone more attuned to this area will examine the cost assumptions very carefully. However, the mechanics of the joint ALP-USFS study seem to be acceptable and the statistics resulting seem to be generally accurate if the Forest Service is willing to accept *three assumptions* which account for the bulk of the differences in this study.

A few nonconsequential mathematical errors were found in the report, computer output varied occasionally from report tables, and—in some cases—statistics did not balance from table to table. On page 2, there is an error in comparing Forest Service cruise volume to ALP water scale volumes. The Forest Service cruise volume should have been reduced by a factor of .7707 to be comparable with the Bureau 32-foot log water scale. That comparison error was further compounded because of a mathematical error by the joint study team in favor of the Forest Service. None of the errors mentioned above would, however, change the conclusions of the report.

The three factors which account for the majority, and possibly all, of the differences in estimates are:

1. Inclusion of excessive areas of low volume forest land as CFL in the joint study.

2. Use of an unrealistically low figure for "Total Delivered Cost" in view of this being a 50-year sale (i.e., \$45.87—the cutoff value used to determine economic operability).

3. Application of today's accessibility and operability guides to decide which areas are "Unreachable" over the 50-year sale.

Bob Mattson has examined the effect of the second factor and will write this up in a separate letter. I will show the effect of inclusion of excessive low-volume areas in a study of this type.

The joint ALP-USFS study indicates that the amount of volume accessible to logging is only about 12.5 percent of that reported in the Sitka Working Circle Timber Management Plan (542,148 MBF vs. 4,322,215 MBF). Since that Timber Management Plan uses volumes taken from Forest Survey Report #2 by A.P. Caporaso, the implication is that Forest Survey overestimated the accessible volume of these blocks by 76 percent.

To get to the basis of this difference, I felt that a comparison needed to be made from a common area base. So a search was made to determine the Forest Inventory area statistics associated with the Timber Management Plan volume statistics used for comparison on page 2 of the ALP-USFS report. Table 1 of this memo shows the derivation of the areas affiliated with those volumes. The volumes used in the comparison came from an area of 189,146 acres.

It then became apparent that despite a decrease in available volume there was a very significant increase in commercial forest land (CFL) of the joint study. The joint ALP-USFS study reported 363,233 acres (see Table 1 of this memo) or an increase in area of 174,087 acres. The joint ALP-USFS report statistics represent an increase of 192 percent over the CFL statistics of the Timber Management Plan. With this very significant increase in acreage another perplexing statistic evolved. The average volume per acre estimated for all commercial forest land of the joint study was 17,321 bd.ft. compared to 26,191 bd.ft. as implied in the Timber Management Plan (see Table B of this memo). The volume per acre estimates were reasonably close for accessible CFL (28,341 bd.ft. for the joint study vs. 26,741 for the T.M. plan). However, the average volume per acre for inaccessible timber dropped from the Forest

Survey estimate of 25,079 bd.ft./acre* to 16,708 bd.ft./acre for the joint ALP-USFS study (see Table B of this memo). A study of these relationships gave an important clue to one of the major factors causing estimates to deviate between the two studies.

The hypothesis that evolved from relating the joint study's average volumes per acre to the increase in CFL area was as follows:

The joint study included 174,087 low-volume acres in their commercial forest land estimates which Forest Survey originally called noncommercial forest land (i.e., forest land not presently producing 8,000 bd.ft. Scribner net *inventory* volume per acre and not having the potential to do so in the future).

The assumptions accompanying this hypothesis are as follows:

1. These 174,087 acres would generally fall in the inaccessible classification of the joint study—higher elevations and/or poorer sites.

Reply to: 2430 Commercial Timber Sales.
Subject: Measures to Expedite Selling Timber.
To: Forest Supervisors, R-5

Last week you received a copy of Chief McGuire's TWX explaining timber sell goals for Calendar Year 1973. While Region Five's portion of the 11.8 billion feet has not been indicated yet we are expected to sell the remainder of our F.Y. 1973 goal plus one half of F.Y. 1974 financed goal by December 31. In addition we will be assigned somewhere between 50 and 100 MM of thinning and salvage. Accomplishment of this program will, of course, require the personal attention of each supervisor and district ranger. As indicated in McGuire's TWX, goals for 1974 and 1975 will also be forthcoming.

In order to assist you I am attaching a list of suggestions for your further consideration. There is no one easy answer to the total problem. I do not expect you to adopt any measure that would result in environmental damage or that is contrary to law or the Secretary's Regulation.

In view of the outlook for the next few years it is essential that you adopt a sense of urgency and impart it to your people. Do not hesitate to ask for assistance from either me or my staff at any time.

The first three items are being proposed to the Chief for his consideration. If we get relief we will pass it on to you.

The Division of Timber Management will contact you for dates to visit with you and your people to discuss how you might best use the proposed measures to meet your problems. In order to get this done in a timely manner I am suggesting all forests will be visited by TM teams during the weeks of April 9 and 16. These teams will entertain any added suggestions you might wish to make.

DOUGLAS R. LEISZ
Regional Forester.

<i>Measure</i>	<i>Comments</i>
(1) Contract cruising—or mark and cruise.	If money is available it will save manpower. Before you contract the marking we will have to get relief from Secretary's Regulation S-15. We will pursue this.
(2) Remove limitation on authorizations to forests for sales under 50 MMBF. Require Ro review of an adequate sample of all appraisals each year.	This would encourage larger sales and save time. It requires Chief's approval. It is in line with policy to delegate more to forests.
(3) Delegate authority to Supervisors for sales contracted under earlier Regional Forester authority.	Takes Chief's approval. This is appropriate action inasmuch as most forests now have authority up to 25 MMBF. This affects many current sales. It would result in time savings for sale modifications and rate redeterminations. Environmental modifications would continue to be approved by the Regional Forester.

* $2,038,096 \div 62,631 \times .7707 = 25,07$
water scale.)

Adjustment from inventory cruise to Bureau

<i>Measure</i>	<i>Comments</i>
(4) Sample marking.	Use it only as a last resort because unmarked sales result in added work for sale administrators and can lead to trouble.
(5) Void.	
(6) Sell on the cruise. (contract cruise)	Lump sum sales sold on cruise volume basis.
(7) Do more clearcutting, with due consideration for silviculture, soil, water and esthetics.	Produces the maximum volume per acre. Saves sale preparation. Don't enlarge cut units but make more clearcut sales to get volume.
(8) Increase the volume in sales currently under preparation.	By adding additional cut blocks.
(9) Make Intermediate Sanitation cuts and sell timber in leave blocks or partially cutover areas already roaded.	See FSM 2471.33, R5 Supplement # 108.
(10) Guaranteed volume salvage sales.	Contract large areas. Purchaser find trees—Forest Service mark. One year sales. Either scale or tree measure.
(11) Make larger sales (save on appraisals and environmental analyses.)	But keep in mind community and mill needs for small sales.
(12) Reconsider need for E.A. (abbreviate on simple sales, use one for several comparable sales.)	Environmental Analysis.
(13) Reduce multidisciplinary reviews on simple sales.	
(14) Streamline appraisal methods.	a. Reduce narrative section of appraisal when you have an environmental analysis. b. Use district average costs for road maintenance, slash disposal, erosion control, snag falling, etc.
(15) Sell on comparative appraisals when appropriate.	
(16) Centralize appraisals to get maximum use of SO or other appraisal specialist.	Use you best appraisal men on appraisals and others on other work.
(17) Long-hand appraisals as appropriate.	
(18) Develop computer program for appraisal computations.	Some forests are now doing.
(19) Avoid road betterment, reconstruction of old timber access roads.	
(20) Delay engineering until after sale is made.	In cases where sale can be made ready to advertise, except for engineering, do it later. Only recommended for occasional use.
(21) Reassign personnel financed by P&M-031 to do some direct timber sale work.	Good training for specialists and good for production. Especially applicable for foresters now assigned to specialist jobs, but might be applicable to others.
(22) Use a standard 2400-3 contract for all small sales with blanks to fill in rather than develop a new contract for each sale.	
(23) Use overtime and compensatory time as needed to get the job done.	

These measures for consolidation in accordance with the Regional Forester's memorandum of April 2, 1973.

*Measure**Comments*

- (24) In some cases one environmental statement might be used to cover more than one roadless area.
- (25) Defer unit area and long range planning if it is not compatible with meeting timber selling goals.

SIERRA CLUB.

MILLS TOWER,

San Francisco March 13, 1973.

ROBERT E. SHULL, *Chairman,*
WENOCA Group,
Sierra Club Western North Carolina Group
 406 Glenheath Drive
 Hendersonville, N.C.

DEAR BOB: I am sending a collection of materials about forestry that I think will help you prepare your speech. You should get information about wilderness and wild area legislation from Peter Borelli in Washington.

The one important thing which is not in writing to my knowledge is the current status of forest land. The Forest Service is now circulating the following statistics as of 1970:

The total area of the United States is 2,290,000 acres. Of this 753,000,000 acres is forest but only 500,000,000 is commercial forest. The 253,000,000 acres which is not commercial is divided as follows:

Unproductive -----	234,000,000
Reserved, that is in national parks, wilderness areas, etc. ---	17,000,000
Deferred, meaning reserved for possible inclusion in the wilderness system -----	3,000,000

The 500,000,000 acres of commercial forest land consists of 93,000,000 acres of national forest and 407,000,000 acres which is mostly privately owned but with a small proportion belonging to states, counties and other federal agencies.

The national forests contain 197-million acres of land altogether of which only 93-million acres is commercial forest, 88-million in the lower 48 states. This is what we are primarily concerned about in our conflict with industry and the government. In December 1971, too late to affect the above figures, the Intermountain Experiment Station of the Forest Service published a report entitled "Stratification of Forest Land in the Western National Forests" in which they reported that 22% of the commercial forest land on the national forests is misclassified. That means 20-million of the 88-million acres in the above figures is too low in productive capacity, too steep, too scattered or unsuited otherwise for timber management. It should be added to the 234-million acres classed as unproductive, but apparently will not be until the Forest Service conducts another nationwide survey, some ten years from now.

The roadless areas of the national forests which are currently in the news comprise 56-million acres of which only 35-million acres is located in the lower 48 states. Out of the roadless areas only 19-million acres is classed as commercial forest land and of that only 15-million acres is in the lower 48 states. It is not known exactly where that 20-million acres of misclassified forest is located because the Forest survey is conducted by sampling techniques rather than mapping techniques. Nevertheless it seems quite likely that the bulk of that 15-million acres within the roadless areas will be very largely included in the 20-million acres which has been misclassified because the roadless areas of the national forests are by nature the least desirable, the most remote and located in the highest elevations of any land remaining undeveloped in the nation forests.

I have pointed out elsewhere that the allowable cut on the national forests grossly exceeds the quantities which can be sustained under the multiple use law. Misclassification of forest land is part of the reason the allowable cut is too high. Industry is determined to keep the allowable cut as high as possible because they want the timber. I therefore believe that the big argument about the roadless areas and wilderness areas at the present time is merely a hold-

ing action to prevent correction of allowable cut determinations on the national forests, while industry cashes in on the excessive logging presently justified. This point cannot be made too strongly. We must never overlook an opportunity to point out that the Forest Service is selling timber in quantities far in excess of that which can be sustained on the western national forests.

Sincerely,

GORDON ROBINSON,
Forestry Consultant.

Senator CRANSTON. Our next witness is Donald Van Iderstine of the Port of Stockton. We welcome you.

STATEMENT OF DONALD VAN IDERSTINE, PORT OF STOCKTON

Mr. VAN IDERSTINE. I represent the Port. And we'd like to go on record as—that is the Port of Stockton. We are against any legislation that would impede or restrict or deter the logical movement of international trade.

Now, again, I'm not an expert on forest products. But from the facts that have been brought out here today. We were able to research that 2.7 billion feet of logs that were exported in 1972, represented only 5.5 percent of the total U.S. sawmill harvest. Primarily, 82 percent of that, according to our research, came from the State of Washington. The remaining 18 percent, came from Oregon, California, and Alaska.

Getting into the economics, if we were to ban the logs, individually, at the Port of Stockton, the 1972 shipments caused a direct payroll of \$190,143, giving employment to 2,232 men for the total year. And that was from a total exportation of 15,788,000 board feet, or 99,790 tons, and also produced \$95,000 in revenue to the Port of Stockton, who has taken these funds and reinvested them for the citizens of the Stockton port district.

And from these figures, you can certainly realize that we have—while we are a junior, this movement of logs is of great concern to us.

There also are many public agencies, Federal, State, county, and local, who have relied upon the revenues from the exportation of logs.

The termination of this exportation could cause some of the communities to go into default on bond issues, and what was recognized as a national replenishable resource.

Now, if we ignore the fact that the forests do have the capability of reforestation for continuing supply, is to take a very short view of a world problem of supply and demand.

It also should be noted that the Japanese preference has been toward the secondary log, which has been termed western hemlock or the west fir, I think the expert referred to it. And it seems that there has been a higher value of logs that have been produced, a higher yield, and a greater utilization per acre of the forests, and has reduced the amount of slash in the forests.

One other factor our research brought up, Senator, was the housing demand will exceed mill production capability in 1973.

Senator CRANSTON. The housing demand what?

Mr. VAN IDERSTINE. The U.S. housing demand will exceed the mill production capability in 1973.

Senator CRANSTON. What is the source of that statement?

Mr. VAN IDERSTINE. This is a source from our research people up in Stockton.

Senator CRANSTON. Could you supply us with the records on that?

Mr. VAN IDERSTINE. I will do that.

[The information was never received for the record.]

Mr. VAN IDERSTINE. The housing increased 62 percent from 1970 to 1972, and lumber consumption by 21 percent. Again, these were facts that were considered.

Homebuilders want more lumber at lower prices, and believe that fewer exports will provide it. Again, we at the port certainly do not want to have the U.S. Government suffer by unsound export of our natural resources, but we do not believe that there has been any direct or important impact upon the exportation of logs on these resources.

Senator CRANSTON. Do you believe that if we had had this ban on exports in the past 6 to 8 months we would still have this spiraling price of homes?

Mr. VAN IDERSTINE. Based on the information that we have, we do not believe that that would have any appreciable effect on the reduction of lumber prices.

Senator CRANSTON. I have no further questions. Bob?

Senator PACKWOOD. On page 2 of your statement, you say: "Presently, mills on the Pacific coast are operating at record-high capacity levels, and . . . these mills could not process any significant volume of additional logs . . ." What's your source for that?

Mr. VAN IDERSTINE. This, again—let me just put my position here. I am representing Mr. Andersen, the port director, who would have been here testifying. And this is the result of the research and the information developed through our team up at Stockton, concerning this particular point.

Senator PACKWOOD. I would appreciate some corroboration.

Mr. VAN IDERSTINE. I'll do that, Senator.

[The information was never received for the record.]

Mr. VAN IDERSTINE. I just want to explain something. We were informed—I was also informed that because of the number of witnesses that there would not be time, and they requested that we submit a written testimony. So I didn't really come prepared today with all the backup.

Senator CRANSTON. Thank you very, very much.

[Statement submitted:]

OFFICE OF THE DIRECTOR OF THE PORT,
Stockton, Calif., April 3, 1973.

SENATOR PACKWOOD,
Subcommittee on International Finance, Committee on Banking, Housing and Urban Affairs, U.S. Senate, San Francisco, Calif.

DEAR SENATOR PACKWOOD: The legislation as proposed by S. 1033 has the effect of singling out an individual product within the scheme of international trade for serious curtailment.

It is a well known fact that in 1972 the 2.7 billion feet of logs exported were only 5.5% of the U.S. softwood harvest. Here on the Pacific Coast, the

State of Washington provided 82% of all logs exported, while the remaining 18% came from Oregon, California and Alaska.

As a comparison, within the State of Washington 23% of their exports came from State-owned lands, the revenues from which go toward the expenses of the State of Washington operations. Whereas, only 9% came from Federal lands, and the greater majority of 68% came from private lands.

Japan purchases 95% of the logs for their own housing needs, with no product shipped back to the United States to compete with any of the U.S. domestic products. With the established facts that exports took only 5.5% of the U.S. softwood harvest in 1972, it is difficult to comprehend that the logs exported had an effect on domestic production or the individual cost of sawmill purchases for lumber production.

Presently, mills on the Pacific Coast are operating at record-high capacity levels, and despite the levels of export logs should they be diverted to the domestic mills these mills could not process any significant volume of additional logs to affect the immediate market. The answer to this, of course, is the construction of new sawmills. However, this will require time.

If the United States were to impede the exportation of logs through this legislation this, of course, would impede the balance of payments which is already out of line, and rather than do a service would in fact cause a great disservice. If logs were restricted, the largest consumer Japan would suffer heavily.

British Columbia and United States mills would of necessity divert lumber from the United States to Japan for sales overseas. United States lumber prices would increase with less lumber available domestically because of the benefits realized under export tax shelters. It would be our estimate that East Coast shipments of lumber by water would most likely be the first to be diverted to Japan this causing a shortage on the Atlantic Seaboard.

Presently, 30% of the lumber used in U.S. housing comes from Canada. The United States import volume from Canada is three times the U.S. export volume to Japan.

While California remains a junior partner in the exportation of logs they nevertheless have a very specific affect on three ports—those being Eureka, Sacramento and Stockton.

At the Port of Stockton, 1972 shipments of export logs caused a direct payroll of \$190,143.00, giving employment to 2,232 men, accruing from a total exportation of 15,788,000 board feet or 99,790 tons. It also produced \$95,000 in revenues to the Port of Stockton who has taken these funds and reinvested them for the citizens of the Stockton Port District. From these figures you can realize that although we are a very junior partner in the exportation of logs, the movement of this product is very much of concern to all of us.

There have been many public agencies—federal, state, county and local—who have relied upon the revenue from exportation of logs. At termination of this exportation could cause some communities to go into default on bond issues on which was recognized as a national replenishable resource. To ignore the fact that our forests have the capability of reforestation for a continuing supply is to take a very short range view of a world problem of supply and demand. It also should be noted that the Japanese market shows a preference toward the Western Hemlock which is of secondary value to domestic users of logs. The higher values for logs has produced a higher yield and a greater utilization per acre of the forests and has reduced the amount of slash in the forests.

The United States housing demand will exceed mill production capability in 1973. Housing increased 62% from 1970 to 1972, and lumber consumption by 21%. Homebuilders want more lumber at lower prices and simply believe that fewer exports will provide it.

It is the small mill operator who obtains record revenues early in the boom as lumber prices move up rapidly. They then bid up log prices to insure they have a supply to produce goods for the booming lumber market. In six months the bidding usually results in significant increase in the operator's raw material cost and an eroding of this profit margin. In this circumstance, attention is usually directed toward the export market—the assumption being that an export ban would cause log and timber prices to drop. Such a situation, coupled with the even higher product prices that would result from a log export ban, would present these mills with the best of all possible worlds—rising prices for their products, and dropping prices for their raw material, with profit margins improving rapidly as income increased and costs decreased.

Then there is the environmental extremist who does not want any trees cut for either export or domestic use and does not realize that higher values bring about higher yields, thus reducing the acreage cut. Instead they equate the growth in harvest volume with an increased acreage, but have no recognition that because of yield and utilization improvement the harvest acreage has been reduced.

Still another is the neo-isolationist who wants to protect domestic jobs at any cost but do not stop to calculate that any international trade that favors the U.S. economy produces more jobs than it exports.

We at the Port of Stockton wish to go on record that we are against any legislation that would impede or restrict or deter the logical movement of international trade.

Yours very truly,

RICHARD A. ANDERSEN,
Port Director.

Senator CRANSTON. Our next witness, and our next-to-the-last witness, is Hugh Bannister, president, Association of Western Pulp and Paper Workers. Portland, Oreg.

Mr. Bannister, we welcome you.

STATEMENT OF HUGH BANNISTER, PRESIDENT, ASSOCIATION OF WESTERN PULP AND PAPER WORKERS, PORTLAND, OREG.

Mr. BANNISTER. Mr. Chairman and Senator Packwood:

I have appeared previously in Salem, Oreg., on a hearing dealing with the export of logs. I had submitted some testimony at that time, and I've submitted some more since then, more on a practical basis then on a technical basis.

As president of the Association of Western Pulp and Paper Workers, we are in favor of Senate bill 1033.

I represent 21,000 pulp and paper workers from Washington, Oregon, California, and Alaska.

Because of your position on not reading testimony, I have some off-the-cuff positions to present to you, and you can question me on any of them, if you wish.

I want to talk about the loss of jobs, because of the no-growth attitude of such corporation as Weyerhaeuser, I.T.T.-Ranier, Scott Paper Co., Georgia-Pacific, and Louisiana Pacific, because I do business with them on a day-to-day business.

Senator CRANSTON. What attitude?

Mr. BANNISTER. No-growth attitude in the Northwest.

Weyerhaeuser is the largest private timber holder in the Northwest. They own about 30 percent of the timber up there.

At a time when they're exporting unprecedented amounts of logs overseas, there's no expansion in Washington State, there's no expansion in Oregon, for Weyerhaeuser Corp. As a matter of fact, there's little expansion in the industry generally.

There are two companies up there that this year have suggested that they're going to expand their plants. One of them is Georgia Pacific at Toledo, Oreg.; and the other one is Longview Fiber Corp. of Longview, Wash.

Any time when there's \$900 million being invested in the industry—Washington State has investments of \$11 million—This is the place where the largest amount of softwood is available for lumber and pulp and paper.

Weyerhaeuser Corp. is building mills in British Columbia. They expanded their mills from 250 tons a day to 1,250 tons a day. At the same time, they're closing down a mill in Everett, Wash. that employs 300 and some people. This year they used the ecology kick as the reason why they're doing it. But that mill provides, the last year that I have statistics, \$1.8 million in profit.

So it's not a matter of closing down the mill that today is unprofitable, they expect that the profits there could go on for another 8 to 10 years. Weyerhaeuser doesn't mince any words about it. They say that their Washington timber is going to be utilized for export.

We're concerned about jobs. We're concerned about the fact that the timber that's being exported right now represents pressure to be applied later, not only in Oregon and in California, but on the public timber lands of our Nation.

I have no quarrel with utilizing the public timber, if it's prime, if it's ready to be harvested. But it has to be done on a basis that is for the betterment of the people of this Nation.

I don't think we can sustain the supply of timber, lumber, paper, and everything else for the United States, as well as the Japanese market. We just can't do it.

The other thing that bothers me about the shipment of logs is not so much that the Japanese are buying them or that the people in British Columbia are buying them to process lumber and then send it back across the border, but the Congress of the United States passed a law, The Revenue Act of 1971, and it provided for such corporations as Weyerhaeuser, G.P., and Scott Paper Co. to form Domestic International Sales Corporations. The intent was to expand the export of American products. So they gave them good tax write-offs and capital gains, on the income from export of the product.

Weyerhaeuser and these companies have gone to the timber to export to make their profits.

Exporting from Washington State for the Weyerhaeuser Corp. announced that was 20 percent of their corporate profit.

They're using that corporate profit to build mills in the southern part of the United States and Canada. They don't make any bones about it.

When we approached them about expansion of the pulp and paper industry in Washington State, they put the pressure on politicians. They say you either give us more tax breaks or we're going to leave this part of the country and we'll just grow timber.

Georgia-Pacific has said it in Oregon. Mr. Packland, president of that corporation, said they would no longer invest money in Oregon, unless they got proper tax breaks. They will export logs.

Along with the ban on logs, I think you've made a mistake in not banning chip supplies as well. There's a great need for building materials, flake board, pressed board, of many natures are needed in this country.

Also, I believe that if you look at what happened to the Scott Paper Co., you'll understand that the chips that are going to Japan are having an impact on the pulp and paper industry. And Scott Paper Co. of Everett, Wash., has had two shutdowns of 3 to 6 months, because of a shortage of chips; at the same time that they

were exporting logs from their west coast operation, they were importing chips from Canada. And they laid off 100 men each time.

I have the statement to the union that this is the reason why they were laying these people off. They were off for 4 or 5 months in this last situation.

But I believe other than just coming here to protest the exporting of logs, I think that we have to look to some proposal, something that we should do.

Both of you are in the Senate of the United States. You could do this Nation a great benefit, if you would join the likes of Wendell Wyatt and others, and do everything we could to expand the reforestation of our Northwest.

Instead of a 50-year plan, let's have a 5-year plan or a 10-year plan. Let's employ some people and go out and reforest these lands that are dormant . . . 5 to 6 million acres.

Take a look at the land that's allowed to go fallow, that was probably the greatest timber producing country in the world. It should be reforested with fir, something that would benefit the people of those areas.

I'm a little parochial in this area, because I've lived all my life in Washington and Oregon, except for a few years in Australia. And I think that that timber up there, whether it belongs to Weyerhaeuser Corp. or whether it belongs to Georgia-Pacific or whether it belongs to the Federal Government, it's there to provide me with a livelihood and everyone else in the industry.

I would hope that you would look at what it does when you export logs and cut off all the timber. There's no stabilization of the communities that depend on lumber mills and the plywood mills.

They look at a pulp mill and they say: OK. We've got to have a timber supply for 40 years, for the life of that pulp mill.

No one is going to invest in the northwest in the pulp mills or any other facility, if they can't see that supply of timber available for them.

And today, the private timber companies, the large ones that have timber holdings are the only ones that can survive. The little guy is lost.

I'm concerned about the little lumber man in Oregon and Washington. He has to go to them and beg for timber. He has to depend upon the national forest for timber.

Forests take a long time to grow, many, many years. It's not like growing a crop of wheat and shipping it this year and then you have another crop next year. It takes 40, 50, 100 years.

What bothers me, when I travel the roads and the airways, is I look at the land that's been completely raped from the export of logs. It bothers me also to drive down the highways and see that a great deal of immature timber is now being harvested to meet the demands.

I also think that you're missing another important thing. Today, in this country, you have an energy crisis. I think the timber supply that we have and the waste material that's used in some of our plants could be utilized as a source of energy. We do it now with the pulp mills. We use the waste material for the production of electricity, to operate those plants.

Thank you very much.

Senator CRANSTON. Thank you very much, Bob?

Senator PACKWOOD. One question. This morning Harry Bridges stated that, as far as the longshoremen are concerned, there are roughly 3,000 to 3,500 total direct jobs at stake. If that three billion board feet of logs were not exported and instead were milled here, how many direct jobs are we talking about for mill workers?

Mr. BANNISTER. It would be almost impossible to determine. But I would assume in our industry we're talking about the residual remains of the log after it's been utilized for lumber. When we put up a mill of 1,500 tons of paper production, we're talking in terms of 500 or 600 people. And I think that what happens is if companies such as Weyerhaeuser were not prepared to invest money in a mill, we've lost those jobs. We not only have lost those jobs, but we're in jeopardy of losing jobs in mills that are older and have to be remodeled.

Senator PACKWOOD. Let me interrupt you. I understand that if the company's not going to put any investment into it, it doesn't matter how many logs there are, if there's no mills. But I am curious as to how many jobs 3 billion board feet of logs will support.

Mr. BANNISTER. In the pulp and paper industry?

Senator PACKWOOD. Yes.

Mr. BANNISTER. We could double our capacity.

Senator PACKWOOD. How many jobs would that represent?

Mr. BANNISTER. 21,000 right now. Primary mills we represent about 15,000. And in California, we represent another 5,000 or 6,000.

Senator PACKWOOD. And your answer relates only to the ones you represent. You would double that.

Mr. BANNISTER. No question about it. If they invested here, the demand is great right now, for the product. And they should be investing now.

Senator PACKWOOD. Thank you. I have no further questions.

Senator CRANSTON. Thank you very, very much.

(Statement submitted.)

STATEMENT OF HUGH D. BANNISTER, PRESIDENT, ASSOCIATION OF WESTERN
PULP AND PAPER WORKERS

Mr. Chairman, I am Hugh D. Bannister, president of the Association of Western Pulp and Paper Workers, a union of 21,000 members headquartered in Portland, Oregon.

I have asked to appear before your committee to speak on behalf of a complete ban on the exporting of logs from Washington, Oregon, California and Alaska, and in behalf of Senate Bill 1033.

As a long time worker in the wood products industry, I don't profess to be an expert in the field of foreign trade balances or for that matter—an economic expert—so my report will be concerned primarily with what I see happening first hand—day-to-day—in the western United States.

I do however, know that the welfare, livelihood and future of many of us who live, work and love the Pacific west is in jeopardy because of the exporting of our logs and wood chip supplies.

In today's log market, the Pacific states have simply and sadly become a private "Asiatic Tree Farm" for Japan, managed by multi-national American corporations whose only concern is their own excessive profits and to hell with those of us who live in these states.

There is no doubt great pressures are being brought to bear on the congress and the administration by these corporations either by using the balance of trade argument with Japan as an excuse or collecting on past political debts.

I would suggest however, that those of you in congress lend an ear to the cry and the needs of the American worker, consumer and taxpayer not only of the Pacific west but of the nation.

We are sick and tired of subsidizing foreign nations and multi-national corporations through our tax systems and trade practices.

No one can argue with the profit system of our country. It has been good to all of us until yesterday.

Yesterday the large timber corporations of the Pacific west have found out they can have their profit and our jobs as well.

A review of some of the problems that are faced in the western states are expressed as an indication of how the ordinary worker can be deprived of his right to earn a living in an area where the basic industry is dependent on the private and public timber supply.

Mr. George Weyerhaeuser, president of Weyerhaeuser Company on June 21, 1972 stated that nationwide and worldwide forest products industry capital expenditures for new and modernized converting capacity have accelerated throughout the past decade. In Washington state they have lagged behind. Why?

Weyerhaeuser Company is the largest private timber owner in Washington state, owning 30% of the industrial forest lands in the Pacific Northwest.

And at a time when Weyerhaeuser is closing their profit making sulfite mill in Everett, Washington, supposedly for ecological reasons, Weyerhaeuser is expanding their operations in British Columbia, Canada and in the southern part of the United States.

Mr. George Weyerhaeuser states that within 5 years his company will be exporting 50% of their Pacific Northwest production—and I might add with emphasis—on raw materials, wood chips and logs.

Mr. Weyerhaeuser let the cat out of the bag in a speech on June 21, 1972, when he said, "We are an old industry here, and our manufacturing plants show it. Many are not designed to present raw material supply requirements. Many are inefficient producers. Many are not able to meet the product requirements of new markets. Many, in other words, are or soon will be marginal from a competitive standpoint. If the industry is to compete it will require within the next decade the infusion of literally hundreds of millions of dollars of capital for new plants and modernization of existing plants."

Weyerhaeuser Company exports large quantities of prime timber from Washington state to Japan, accounting for approximately 20% of their corporate profit. They alone exported almost 1/2 of the total volume of logs that went to Japan in 1972.

There is no secret, that under the Revenue Act of 1971, Weyerhaeuser Company has formed a "Domestic International Sales Corporation" for tax relief purposes, which allows them to export logs at tremendous profit practically tax free, while they build new manufacturing facilities outside Washington state. As a matter of fact, Washington state log export profits are designed by Weyerhaeuser Company to finance pulp and paper facilities in Canada and Southern United States.

Weyerhaeuser Company isn't alone.

Another company in the Pacific Northwest that ignores the needs of that area in its drive for excessive profits is Scott Paper Company, Everett, Washington. They also have formed a "Domestic International Sales Corporation" to beat the tax crunch, while destroying the economic well being of the area.

That company has just returned to full operation at its Everett, Washington mill after two lengthy periods of partial closure because of a shortage of chips, while at the same time Scott Paper Company was exporting logs from its west coast operations.

The Japanese buyers of timber sales are presently bidding 4 or 5 times the appraised value of Washington and Oregon timber, which of course eliminates any competition from small mill operators and American buyers.

Because of log exports the Seattle Cedar Lumber Mfg. Company was forced to close their plant permanently March 9, 1973. President W. D. Black of that company stated recently that 200 people would be losing their jobs because of the closure.

Log exports are today approaching 3 billion board feet annually—twice what the 1968 estimates indicated.

It appears to me that since Canada exported to the U.S. 9 billion board feet of lumber last year that the market for Pacific west logs for finished lumber is

practically guaranteed here at home for those who would export our prime timber to the Japanese market. The need for low cost housing in the United States is desperate. Low cost housing cannot be accomplished without a ban on the exporting of logs, and the northwest timber supply *cannot* meet the demands of both nations without bankrupting our timber holdings.

Log exports have forced the cost of processed lumber so high that a typical home has increased costs for forest products alone this past year approximately \$1200 dollars, about double the forest products cost of a house built a year ago. By adding taxes, interest and insurance, an additional \$5900 dollars is added to the cost of a house over a 30 year mortgage. We must meet our own domestic needs before we sell our raw materials to any foreign nation, especially timber, which takes many years to replace.

To me however, the most important thing is that unless log exports are restricted, there will be no small lumber operators or lumber processors in the Pacific west to help meet the demand of the American public.

The only companies who will survive and who can compete with the Japanese are the multi-national corporations of the United States who presently are selling their logs to Japan.

I would have you think about the small pulp and paper companies whose ability to compete for the wood chips has almost vanished. They are generally too small to have large enough holdings of private timber to completely furnish their own requirements. What are they to do in today's market? They are presently at the mercy of these large timber owners who provide them with their present chip supply. They don't dare protest log export in case their chip supply is terminated.

Unrestricted log exports have created a timber monopoly for those same large corporations who will remain in the business and, since they will also eliminate the domestic chip supply through that monopoly, you can expect more mill closures in the Pacific west that produce lumber and pulp and paper.

Thirty years ago after I returned from the Pacific war theatre and I once again returned to the logging industry, I found myself falling timber for a living in Washington state.

At that time I truly believed there was no end to the timber supply of that area.

On a recent visit to that once abundant timbered area northeast of Seattle, Washington, I could see that we all should have been more concerned and fearful at that time of what was happening to our forest lands. The supply of timber is growing short in Washington state, and is rapidly disappearing in Oregon.

Little did I think at that time that in the 1970's I would be defending my job and those of thousands of other Americans from the voracious appetite of the Japanese businesses and American timber companies.

I believe a better way for all of those in congress to make a determination of what's happening to our timber supply in the three western states would be for all of you to take a sight seeing tour by plane from Seattle to San Francisco on a nice clear day and look over the Cascade mountain range on your southern flight and then on your return flight to Seattle, check on the Coast mountain range, and the Olympic mountains. I guarantee it will shock you. The vast areas that are presently stripped are very evident and a serious problem of timber reserves is here now, and I believe you will agree that future doesn't look good.

You will also recognize and agree that the rape of our nation's timberlands for the sake of the Japanese yen or American dollar isn't worth it.

I'm sure it would be beneficial to all in the Congress of the United States to be able to drive through Northern California, Oregon and Washington, and see for yourself the number of lumber mills--small lumber mills--that have ceased to exist and whose skeleton remains remind those unemployed lumber workers that log exports cost them their jobs.

Although California and Oregon and Alaska contribute only 20% of the log export to Japan, it is fair to assume that once the ability to meet the demand of the Japanese appetite in Washington state has vanished, you can expect such companies as Georgia-Pacific, Simpson Timber, Weyerhaeuser and other large private timber land owners in Northern California and Oregon to continue the rape of the private timber lands in these states in order to fill the void left by the Washington state suppliers.

I believe it is fair to assume that once the private timber has been eliminated from the scene to meet the demands of the Japanese market, tremendous pressures will be brought to bear on the congress of the United States to expand the harvest of our public lands.

In fact, this pressure is already being applied. And when that happens the lumber industry and the pulp and paper industry of the Pacific west will be finished. The supply of timber on a sustained yield basis will disappear for many years.

Although I believe it is probably 10 years late for such action, it is imperative that the congress look at the 5 or 6 million acres of public timber lands that require reforestation, timber producing lands that must be reforested now. In the overall plan of reforestation a long look should be taken of the logged over lands that have been allowed to go fallow—land whose only usefulness is for the growing of much needed softwoods—since that is the most useful species of home building and pulp and paper production timber in use today.

Our membership believes a complete program of a ban on exporting of U.S. logs to foreign countries and the accelerated reforestation program in the Pacific west along with a controlled utilization of the public timber supply be established for the future and maintained on a sustained yield basis be adopted today that would protect American jobs, American small business, reduce the inflationary costs of today's lumber, and provide for the expansion of industry in these fast growing states in the west. This makes sense to those of us who work for a living in the lumber, timber and pulp and paper industry.

Senator CRANSTON. Our final witness is John Cahill of the Associated General Contractors of California.

John, I'm delighted to see you here.

STATEMENT OF JOHN E. CAHILL, ASSOCIATED GENERAL CONTRACTORS OF CALIFORNIA

Mr. CAHILL. Thank you, Senator Cranston and Senator Packwood:

I appear before you today as a member of the Associated General Contractors of California, which is a trade association representing 550 construction firms here in California. And they do, principally, all the building work, except the homebuilding work. I speak as a director of that organization. And I'm also a partner in Cahill Construction Co., which has been a firm active here in San Francisco for the past 60 years.

We are primarily consumers, buyers of the lumber product.

So I'll give you some of our information to supplement some of the other facts you've heard today.

Generally, we'd say that the price of lumber in the past 12 months has gone from 56 to 69 percent as increases. Now, we got an inflationary market on materials, but look what's happened to other materials. Steel has gone up 5 percent. Plasterboard has gone up 5 percent; cement 4 percent; concrete 21½ percent. We expect those price increases.

But when we look at these lumber price increases, it's just out of this world.

Now, another point I'd like to bring to your attention is let's take the price of plywood. From April 1, 1972 to April 1, 1973—12 months—the price of plywood has gone up about 69 percent. But now notice from January 12, 1973 to April 1, 1973—these last 3 months—it's gone up nearly 59 percent. In other words, the biggest

spurt in prices has occurred in these last 3 months, and it looks like it's continuing on its way up.

Now, another problem is the absolute unavailability of lumber to many of our firms. Many of my competitors and fellow contractors bid a job, they go out to get the lumber, and they can't get it, and they just defer the start of the job for 3 or 4 months, till I find it, then they eventually get desperate and pay prices way outside of what they originally bid on the job.

Now, we feel that the chief culprit has to be this enormous export of logs to Japan.

In the West Coast lumber producing states, when you export 3 billion feet out of a total production of 9 billion feet, this is such a tremendous amount that the law of supply and demand comes in and the price just spirals up. But of course, housing starts are also increasing that. But a lot of people adopt the misconception that these logs come back to us in the form of lumber. Now, that's a fantasy.

Japanese industry and homes are growing at even a greater rate than they are here in the United States.

These logs, except in very few cases, do not come back to help us out here.

We feel that an embargo should be made on all logs for export. Now, we don't mean just from the public lands, because there's too many cases where, if you put the embargo on the Government lands, the lumber firms that have a lot of private lands will ship the logs from their private sources and then go out and buy public logs from the public sources to use for production.

We are not in favor of a limitation, because it's too hard to follow the ownership of logs. We feel that this ban should be complete and we further feel that if you do this, this removal, you will allow the logs to be available for the lumber mills, and you are going to have a very stabilizing effect on the prices.

I do feel, as a number of other speakers have mentioned, that the funds that the Forest Service collects from the sale on public lands, some of this should go back into reseedling, better roads, developing super trees, and stepping up road construction. It just makes sense that a good part of the profits derived from the sale of these trees should go back to increase the production. I thank you.

Senator CRANSTON. Our information and statistics made available to us have related mainly to the cost of homes. What is occurring in the cost of other types of construction?

Mr. CAHILL. Heavy construction and commercial construction we feel we use about one-third of the lumber that goes into industry, and homebuilding takes two-thirds. We are a little bit—we can try substitute materials, perhaps a little bit easier than the homebuilders can, but it has still pushed our prices of our products up 5, 7, 8 percent. And of course, in many cases where we build for public organizations, many times they cancel the project—defer the project.

They don't go ahead when these costs override their budget. So it has a direct effect.

Senator CRANSTON. Has there been actual deferral of projects or cancellation of projects in other than housing construction in California?

Mr. CAHILL. The general construction is down in California. Commercial building——

Senator CRANSTON. Do you attribute that primarily to this matter of the increased cost of lumber?

Mr. CAHILL. I have to say that it's not all from lumber. There are many factors contributing to it. But there's no question that the — even in heavy construction we use a lot of lumber for forms. The lumber is not there when the building is finished, but a tremendous amount of lumber goes into building it. And it has an effect on raising our total price.

Senator CRANSTON. Do you have any estimate of how many jobs have been lost since January 1?

Mr. CAHILL. No, that would be very difficult.

Senator CRANSTON. Is there a significant number? Have a significant number of people been laid off?

Mr. CAHILL. In all the carpenters' locals, the building trades' locals, have varying amounts, from 20 percent to 25 percent, looking for employment. So there is quite a widespread unemployment in building construction trades council. It varies from city to city. But it is considerable.

Senator CRANSTON. Thank you very, very much. You've been most helpful.

[Statement submitted.]

STATEMENT OF THE ASSOCIATED GENERAL CONTRACTORS OF CALIFORNIA,
PRESENTED BY JOHN E. CAHILL

Mr. Chairman, and Members of the Committee, my name is John E. Cahill. I appear before you today in behalf of the Associated General Contractors of California, a trade association representing some 550 construction firms in California. Incidentally, this California branch of the A.G.C. is the largest chapter of the 126 A.G.C. chapters. I speak as a director of this organization. In addition, I serve as President of a family construction firm, Cahill Construction Co. Inc., located here in San Francisco for the past sixty years.

CHAOTIC PRICE SITUATION

Price of lumber has skyrocketed in the past 12 months with increases in various products from 56% to 69%. We expect price increases in all materials today in our inflationary markets, but note the low increases in other building materials such as steel 5%, plasterboard 5%, cement 4%, concrete 2½%.

Price increases	Plywood	2 by 4
Apr. 1, 1972-Apr. 1, 1973—12 months.....	up 69 percent.....	up 56 percent.
Jan. 12, 1973-Apr. 1, 1973—3 months.....	up 55 percent.....	up 27 percent.

Note the large spurt in prices the first three months of 1973 after Phase III controls took place.

Unavailability of lumber has occurred in many cases, causing many homes and projects to be deferred until a supply of lumber is assured.

RESULTS

1. The price of lumber in the average home increased \$1200 per house for 1972. It bids fair to do the same for 1973.

2. 200,000 prospective home buyers here in California will be priced out of the market with these increased prices for homes.

3. Commercial, industrial, sewer treatment, waterwork use lumber to a lesser degree, accounting for only ⅓ of the total lumber output, but here, too,

prices will rise sharply, causing many projects to be cancelled with a drop in employment for the construction worker.

Some of the causes of price spiral:

1. The chief culprit has to be the enormous export of logs to Japan. The magnitude of these exports is realized when it is learned that such exports amounted to 3 billion board feet out of our total production of 9 billion board feet of soft wood lumber and plywood. The law of supply and demand then entered the picture and prices spiraled skyward when nearly one third of our logs were shipped abroad. The popular misconception is that such exported logs return to us in the form of lumber and plywood. This is a fantasy and not the case, as it is all consumed in the rapidly growing Japanese industry. In other words, it takes too many of our trees to buy one Datsun.

2. The shortage of railroad cars severely hampered shipment of lumber to the East Coast. This was caused partially by the need for box cars to ship wheat to Russia.

3. The increase of housing start-ups by 9% was bound to raise prices by increasing demand.

4. Profiteering—there is no question that the lumber dealers were entitled to certain prices due to increased demand—but when supplies became unavailable—then consumers were gouged with whatever the traffic would bear.

Suggested solutions:

1. An embargo of all logs for export should be immediately enacted. The present Morse plan limiting logs for export cut on Federal lands does not solve the problem, as large firms with private acreage can export logs from private land and buy new logs from Government lands. There is no adequate way of policing a partial limitation on exports, as it is too hard to follow ownership of logs. Reduction of this huge demand for export over 30% will have a stabilizing effect on prices.

2. There was an unused capacity in American mills of 2 billion Board Feet, due to the unavailability of logs and the shortage of railroad cars. The exporting of logs to Japan artificially reduced mill capacity by removing their source of logs.

3. The Forest Service should offer for sale the unsold allowable cut which has accumulated in recent years.

4. Funds collected from the sale of logs on Federal lands should be plowed back into our National Forests by fighting insect mortality, re-seeding, development of super trees, stepping up road construction.

Normally, the construction industry likes to solve our own problems. This problem is so serious and has caused such disaster to the buying public wanting new homes and businesses, that we feel justified in asking the assistance of the Congress to find a solution to this knotty problem.

Senator CRANSTON. Before closing, I'd like to state that we received one suggestion from one person who has been present through the hearing. Bill Freeman of Miller-Freeman Publications has suggested that the criteria for determining when logs are in surplus should be made more automatic than it is, and less susceptible to pressures of one sort or another. He suggests, for example, that public auction or public advertised bids to sell logs, which don't actually sell to U.S. buyers, could be a way of determining that logs are in surplus. I think that's a very interesting suggestion. And we'll look at that very closely.

Mr. DEVONE. May I say a few words?

Senator CRANSTON. If you can do it in 2 minutes.

**STATEMENT OF ISSAC DEVONE, HARBOR LUMBER CO.,
SAN FRANCISCO**

Mr. DEVONE. My observation in the industry as a wholesaler for the last quarter of a century is—

Senator CRANSTON. Please state your name for the record.

Mr. DEVONE. Issac Devone of Harbor Lumber Co., San Francisco, Calif. I'm sorry. I can't afford to hire a secretary to prepare a statement.

As the lumber industry has been going up for the past year, it's hard to get lumber as a wholesaler. And I'm sure it's hard to get lumber, not only in California but in Florida, New York, and other places in the country.

By my experience is this: The Government set a price control and they left the log prices open. And the bidding on logs was astronomical. Private mills, who have their own paper, went out and bought Government timber and they raised the prices. And they raised the prices to \$150 to \$175. Well, of course, that's a high price to pay for a log on stumpage. And that made the high prices extremely high. I mean, the log prices extremely high. And the demand for lumber is extremely high all over the country.

And today's hearing is, basically, whether we should start import and export, to Japan, mainly.

I think this is the wrong attitude for Congress or the Government of the United States to take, because international trade is the basis for our survival.

Imagine Arabian sheiks in Mecca in a round-table conference today to stop export of oil to the United States. Hell, it would be a big joke for us to listen to that. We'd get panicky. Why stop the oil for the United States? Hell we'd send our Navy down to the Arabian Sea to threaten them with such an action.

If you want to stop the Japanese from buying our lumber product or logs, I'm for it. But if you want to stop them, stop buying Toyotas. Tell the workers of the United States: Don't buy Toyotas, Nissan, or all else, radios and televisions from Japan. If you want to say: Buy America; that's a good start. Maybe they will have less dollars to buy our logs. So our people over here, our contractors, can get more lumber.

Of course, the contractors always squawk about the lumber prices. I never hear them squawk about the land prices. They buy an acre for \$7,000 and sell it for \$150,000, because they put a few thousand dollars improvement on it.

You never hear them squawk about that. That's what raises the prices of a home.

A home—The average home in California takes about \$1,600 to \$2,000 of lumber or plywood, not \$40,000 worth of lumber and plywood, not \$20,000 worth of lumber and plywood, not \$50,000 worth of lumber and plywood—\$2,000, that's all.

What makes a house go from \$15,000 to \$30,000 in 2 years, because they're exploiting the land values. They're exploiting everything they can to buy themselves a \$10 to \$15 million yacht, which no lumber man I know in Oregon and Washington have a \$10 to \$15 million yacht. But they have it. You look at Weyerhaeuser, he's got a \$10 million yacht. He's got—what do you call it—a harem of yachts. He's having a heck of a good time. Who's paying for it? The people. He's appropriating all that money.

So imports and export should be free. Free for all the people among themselves in world trade and world peace. And believe me, that's the only thing we can look at.

I hope you fellows take that into consideration, so we can all have a peace in the world and better homes.

Incidentally, have the Government release more timber for the mills; have the Government put the price control on the timber. Don't just say: Well, you boys come over after the logs. They bid \$30, \$40, \$60, \$150. They're like a hungry dog looking for a piece of bone. They outbid each other. The Government says: We like your money, bring it in. So the Government is charging the high prices, not the mills, not the wholesaler, not the retailer. The Government itself charging the high prices.

Again, I want to say that it's best for all of us to look at it on a basic, not a boycott. Boycott is dangerous in time of peace.

You want to stop the fellows from buying Toyotas, Nissan, and radios and televisions, so the Japanes will have less money.

I agreed with Senator Morse when he passed the first bill, but now I see the picture clearer. Import and export should be open to all traders.

I don't import or export. I'm so little they don't even know I exist. But I'm here to stay, and I'm going to fight to stay in the business.

Senator CRANSTON. Thank you very much.

Before we recess, I'd like to note the presence of Assemblyman Ken Meade with us today. We welcome you, again.

Thank you all, again, very much for your interest, your participation, your attention.

We now stand adjourned.

[Whereupon, at 12:25 p.m., the hearing was adjourned.]

APPENDIX

Additional Statements and Data

STATEMENT OF DONALD G. BAXTER, GENERAL MANAGER, BROOKINGS PLYWOOD CORP.

I am Donald Baxter, General Manager and Sales Manager of Brookings Plywood Corporation, Brookings, Oregon. I am a member of the Board of Trustees of American Plywood Association. My company is a medium-sized manufacturer of softwood plywood, annual volume about 100 million sq. ft. We are a cooperative company, one of seventeen in the plywood industry; that is, our company is owned by the workers. We have 215 working shareholders. Our annual dollar volume is about 12 million dollars.

Brookings owns some 25 million feet of standing timber, but we are 90 percent dependent on purchase of timber from others, including the Federal government. Our location, just north of the California border puts us just on the edge of the log export belt. However, we are not an exporter of logs or finished products at this time.

My statement is basically on log exports, but it also touches on price controls and on the subject of timber supply, as all are related in the current climate of record demand, short supply and high prices of both raw material and finished product.

SUPPLY AND DEMAND

To begin with our timber-rich nation has an artificial shortage of raw material to meet its demands for wood products for houses, paper, furnitures, containers, clothing and chemicals.

You can't have houses without timber, and the Federal forests in this country hold the key to improved timber supply in the near future.

The reason for the increase in lumber and plywood prices over the last 18 months is the record rate of home building. There were 2.4 million new houses built in 1972, and home building increased 62 percent from 1970 to 1972. Thus far in 1973, home building continues its record pace.

The last record housing year before 1971 was 1969, and plywood and lumber prices were driven up by demand then. Congressional hearings, investigations, studies by a Presidential task force and other events all concluded that more timber had to be made available from the Forest Service and Bureau of Land Management.

FEDERAL FORESTS MUST SUPPLY RAW MATERIAL

In 1971 and 1972—the peak demand years for housing—the volume of timber sold by the Forest Service declined substantially. In fiscal 1972, the volume of timber sold was 2.3 billion board feet under the allowable cut. In fiscal 1973, before the recent statements by Dr. Dunlop about increasing the timber supply, it was expected that the volume sold would be 2.7 billion board feet short of the allowable cut. The effects of the Administration's announced intention to put 11.8 billion board feet up for sale this year remain to be seen.

The Federal lands are so important because they contain 58 percent of all of the nation's softwood sawtimber. And the Chief of the Forest Service, which manages the National Forest System, has publicly stated that the timber harvest could be increased by 50 percent, if adequate funds were available for tree-growing programs.

That's why I stated earlier that we have an *artificial* shortage of raw material in this country. The trees are there, under sustained yield management, but funds are not made available to sell the full annual allowable cut.

All of this is necessary to put the export picture into context. It's also important to note that while the U.S. is having a boom in house construction, the Japanese are having a housing boom of their own. They are building almost as many houses now as we are.

And, Japan's need for wood will continue to be strong, if our information is correct that Japan is about to adopt Western wood framing techniques for house construction in place of the current post and beam system. U.S. construction methods require even more wood than the traditional flimsy Japanese system.

LOG EXPORT ISSUE

In my opinion, the log export issue is one of the most complex that our industry has faced. It's difficult to reach agreement among the manufacturers because some of them are exporters also; others are trying to supply only the domestic market with timber purchased from the Forest Service. Then the varying export policies of the States of Washington, Oregon and Alaska complicate the issue as do international trade agreements and balance of payments.

However, the treatment of raw logs under the Phase II mandatory price controls and the Phase III voluntary controls, and the record high export buying when raw material in the U.S. is in short supply, have combined to work hardships on those manufacturers dependent on public timber to supply their mills.

Although logs are considered an agricultural product, they differ from the majority of agricultural products in that with proper care, they are not perishable. With that proper care and without further processing they can be stored for two years or more without appreciable deterioration. Still, they have been exempt from controls under the economic stabilization program.

Export buying and the short timber supply situation have combined to drive raw material costs skyward. Tables are attached that show average figures. These don't tell the whole story. We've seen sales in the "export belt" where export buyers have bid up the price to four or five times the appraised value of the timber. There is no way for a plywood producer to compete in these sales and get a return for his finished product that will net a profit or at least a break-even figure to keep him in business.

The price controls as they've been applied to our industry haven't helped. A retail merchant, for example, in stocking his store, is allowed to daily increase costs of items in his store to reflect the current increases in wholesale prices. Otherwise, he could find himself sold out of merchandise and not able to replace his stock even if he took his original cost and the profit thereon to reorder.

Price controls have not allowed this latitude in the forest products industry and have required that the actual purchase and delivery of raw material be consummated before it could be added into the sales price. And they have further limited the profit margin so the manufacturer had no opportunity to create a cash reserve, thereby eliminating any possibility of averaging his increased costs over any period of time.

With the unprecedented volume buying of logs by the Japanese at previously unheard of prices, profit opportunities have arisen for a segment of the forest industry.

A manufacturer who might have 10 million feet of logs which could be legally exported has been able to sell these logs for export at prices which have gone as high as \$500 per 1,000 bd. ft. (M).

This same manufacturer under the current Morse Amendment is able to bid and buy Forest Service timber. If competition forced him to pay \$225/M. and his logging and hauling costs are \$75/M. he can then replace his cold deck (or inventory) for a cost of \$300/M. If his original deck had cost him \$100/M. he would then find himself back to the same position on raw material that he was before he exported, and enjoy a profit of \$100/M.—for a total of one million dollars. This practice of replacing exported private timber with Forest Service timber that is not legally exportable is called *substitution*. While substitution is not permitted under the Morse Amendment, no substitution regulations have been written, and it therefore hasn't been enforced.

Many mills who are solely dependent upon Forest Service timber do not have the opportunity to export, and are faced with the very real problem of having to compete with this operator who could profitably (because of his exports) bid \$225/M or more. Thus, the non-exporting operator has to rely solely on the domestic market with controlled prices to net him some profit and stay in business.

THE DILEMMA

It is hardly possible that an individual could suggest realistic corrective measures to ease the current situation regarding log exports and total timber supply.

There would have to be an awareness of such areas as: balance of trade, international monetary policy, diplomatic relations, state forest management and funding policies and domestic manufacturing requirements. Then too, must be considered the moral rights of those owners who have nurtured their own forests and paid the taxes thereon, to dispose of the timber to their best financial advantage.

Realizing that the land of opportunity is going to breed some opportunists, there should be recognition that the overwhelming majority of manufacturers of forest products have conscientiously tried to operate within the scope of all regulations.

Hopefully, in establishing a plan of action in regard to log exports, the Congress will give cognizance to the overall problem—that is the shortage of available raw material and the strong competition for that material.

ATTACHMENTS

1. NFPA Table and Chart Showing Reduced Timber Supply from National Forests.
2. Imports and Exports Table.
3. Comparison between 1971 and 1972 Average Stumpage Prices in Region 6.
4. Recent Data on Federal Timber Sales in the State of Washington.
5. Whalehead Timber Sale, Gifford Pinchot National Forest, March 28, 1973.
6. Allocation of Exempt Volume Under Morse Amendment.

NATIONAL FOREST TIMBER SALE PROGRAM, SELL AND HARVEST ACCOMPLISHMENTS—SAWTIMBER (ONLY), FISCAL YEARS 1965-74

Fiscal year	Allowable harvest as of Jan. 1	Volume of timber sold			Volume of timber harvest		
		Planned ¹ (million board feet) ²	Actual (million board feet) ²	Percent accomplishment	Planned ¹ (million board feet) ²	Actual (million board feet) ²	Percent accomplishment
1965	11,094	10,934	10,454	96	10,722	10,045	94
1966	11,292	10,683	10,382	97	11,002	10,902	99
1967	11,331	11,087	10,508	95	11,096	9,668	87
1968	11,429	10,773	10,681	99	11,718	10,808	92
1969	11,466	11,031	8,901	81	11,926	10,393	87
1970	11,545	12,754	11,667	91	12,706	9,818	77
1971	11,544	11,509	9,175	80	12,787	8,823	69
1972	11,568	10,470	8,817	84	13,125	10,181	78
1973	11,512	⁴ (9,600)	(8,800)	(92)	(12,800)	(11,000)	(86)
1974	(11,000)	(9,800)	(9,000)	(92)	(11,000)	(10,800)	(98)

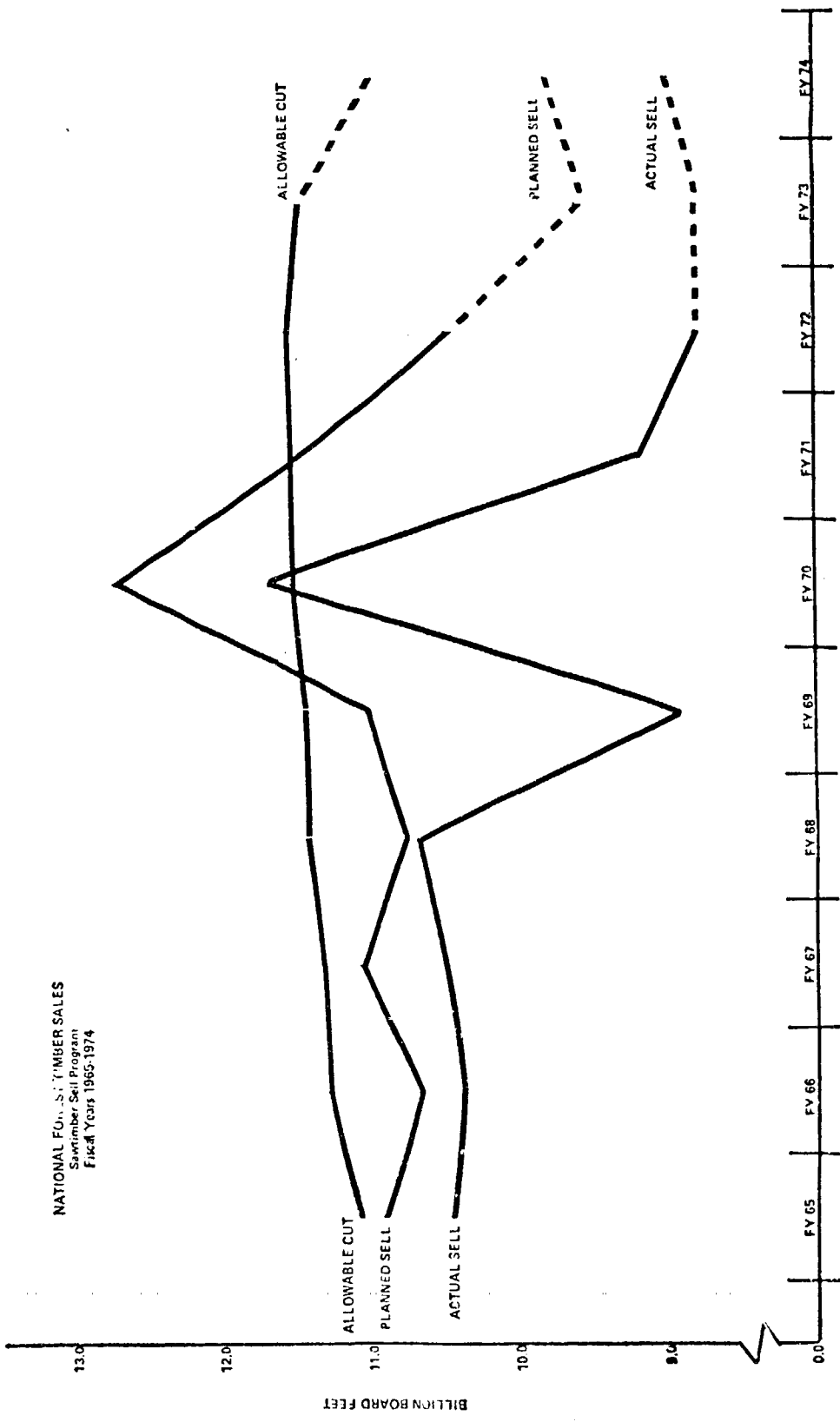
¹ Planned sold and harvest volumes include some convertible products.

² Local scale.

³ After deduction of 8.75 B fbm of Juneau unit pulp sale in Alaska.

⁴ Figures in parentheses are estimates.

Source: Forest Service timber sale accomplishment reports fiscal year 1965 through fiscal year 1972. Fiscal years 1973 and 1974 performance is estimated.



IMPORTS AND EXPORTS, SOFTWOOD LOGS AND LUMBER¹

[Billions of board feet]

Year	Lumber imports (lumber tally)	Lumber exports (lumber tally)	Log exports	
			Log scale	Lbr. tally equivalent
1963	5.0	0.7	0.9	(1.2)
1964	4.9	0.8	1.0	(1.4)
1965	4.9	0.8	1.1	(1.6)
1966	4.8	0.9	1.3	(1.6)
1967	4.8	1.0	1.5	(2.6)
1968	5.8	1.0	2.5	(3.5)
1969	5.8	1.0	2.3	(3.2)
1970	5.8	1.2	2.7	(3.8)
1971	7.2	6.9	2.2	(3.1)
1972	9.0	1.2	3.0	(4.3)

¹ No appreciable volume of softwood plywood is imported to or exported from United States.² Lumber tally equivalent is estimated to be 1.4 times the log scale volume.

COMPARISON BETWEEN 1971 AND 1972 AVERAGE STUMPAGE PRICES FOR THOSE NATIONAL FORESTS WITH EXPORT EXEMPTION IN REGION 6

[In dollars per thousand board feet]

National forests	1971	1972	Percent increase between 1971 and 1972
Gifford Pinchot	37.35	73.82	+98
Mount Baker	13.61	51.14	+275
Okanogan	12.05	18.84	+55
Olympic	21.31	30.55	+40
Sequoia	22.76	54.84	+150
Wenatchee	1.20	10.59	+102
Deschutes	26.40	29.22	+11
Mount Hood	27.57	46.65	+69
Rogue River	41.40	42.79	+3
Siskiyou	34.94	67.45	+93
Stawell	45.70	61.55	+34
Umpqua	31.75	43.77	+37
Willamette	27.37	63.49	+132

Source: U.S. Forest Service figures.

TIMBER SALES, OLYMPIC NATIONAL FOREST, OCTOBER, NOVEMBER, AND DECEMBER 1972

Date	Name of sale	Volume thousand board feet	Appraised price	Bid price	Bid ratio	Name of purchasers
Nov. 8	Bid Bird Vertical	13,617	\$176,852.88	\$716,309.88	4.05	ITT Rayonier, Inc.
Nov. 15	Cool Creek	9,435	57,990.00	69,695.00	1.20	M & R Timber, Inc.
Do	Upper W. Goodman	17,589	511,813.80	705,639.80	1.30	Everett Plywood Co.
Nov. 17	East Fork Ridge	2,600	61,928.00	62,258.00	1.01	Publinter Forest Products
Dec. 20	Middle Salmon South	6,699	195,472.00	196,472.00	1.00	ITT Rayonier, Inc.
Dec. 22	Raft Ridge Extension	19,900	515,491.00	634,722.00	1.35	Do
Do	Sam's Charlie	13,300	748,019.00	835,371.00	1.20	F. R. Bradley Log Co.
Dec. 27	Big Foot Salvage	2,328	66,922.15	130,063.16	1.91	Seaboard Lumber Co.
Do	Salmon Creek, Int.	1,150	8,611.30	19,102.70	2.22	M & R Timber, Inc.
Dec. 28	Hinkle Knot Mountain	2,314	88,118.21	88,118.21	1.00	Do
Do	Mount Walker Int.	1,709	51,511.00	51,511.00	1.00	Ervin Kelly, Log Co.
Dec. 29	Pyramid Mountain	14,828	693,137.08	1,310,956.08	2.22	Everett Plywood Co.

¹ Major business is log export.

Source: U.S. Forest Service; National Forest timber sales, region six, 2490.

TIMBER SALES, GIFFORD PINCHOT NATIONAL FOREST, OCTOBER, NOVEMBER, AND DECEMBER 1972

Date	Name of sale	Volume thousand board feet	Appraised price	Bid price	Bid ratio	Name of purchasers
Oct. 4	Crater	8,300	\$553,098.00	\$762,951.00	1.38	Caffall Bros. ¹
Do	Goat Point	3,500	229,698.00	229,698.00	1.00	Do.
Oct. 25	Wish	1,250	97,957.00	133,407.00	1.36	Multnomah Plywood.
Nov. 8	Hill	12,700	867,082.00	1,450,940.00	1.67	Cascade Locks Lumber Co.
Do	Bea	1,230	86,542.70	103,999.70	1.20	SDS Lumber Co.
Dec. 6	Allen	6,100	364,477.00	1,231,783.00	3.38	Van Port Manufacturing. ¹
Do	Elk Ridge	10,900	322,194.00	830,289.00	2.58	Cowlitz Stud Co.
Dec. 13	Pass	14,000	973,568.00	3,656,702.00	3.76	Van Port Manufacturing. ¹
Dec. 14	Rush	13,040	1,089,294.40	1,512,226.40	1.39	Stevenson Co-Ply.
Dec. 15	Stack	1,360	85,862.00	8,603.30	1.00	Lyle Wood Prod.
Do	Hendricks	9,400	647,902.00	828,839.00	1.28	Packwood Lumber.
Dec. 21	Pine	6,200	534,495.00	787,099.00	1.47	Fort Vancouver Plywood.
Dec. 20	Ole	1,450	65,559.90	77,870.90	1.19	Wilkin-Kaiser-Olsen.
Dec. 21	Basket	3,800	173,138.00	177,888.00	1.03	Astoria Plywood.
Do	Cabin	5,100	230,235.00	267,426.00	1.16	Do.
Dec. 22	Catch	3,900	222,371.00	394,744.00	1.78	Wasser Winter. ¹
Do	House	6,800	537,381.00	683,767.00	1.27	Multnomah Plywood.
Dec. 29	Spook	8,600	652,613.00	1,055,095.00	1.66	SDS Lumber Co.
Dec. 28	Woolly	4,300	282,519.00	625,639.00	1.86	D & R Timber Co. ¹
Do	Blue	11,500	235,535.00	691,367.00	2.99	Van Port Manufacturing. ¹
Do	Watchman	5,500	223,707.00	314,070.00	1.40	Astoria Plywood.

¹ Major business is log export.

Source: U.S. Forest Service: National forest timber sales, region six, 2490.

TIMBER SALES, MT. BAKER NATIONAL FOREST, OCTOBER, NOVEMBER, AND DECEMBER 1972

Date	Name of sale	Volume thousand board feet	Appraised price	Bid price	Bid ratio	Name of purchasers
Oct. 26	Loner	3,590	\$126,311.45	\$193,570.45	1.53	Mount Baker Plywood.
Nov. 2	East Finney	12,000	55,168.40	61,925.70	1.08	Evergreen Helicopter.
Nov. 22	Huckleberry	1,100	62,676.40	91,239.20	1.50	Pt. Gardner Timber. ¹
Dec. 7	Overlook	1,950	115,559.20	161,018.30	1.39	Welco Lumber Co.
Dec. 13	Segelson Ridge	8,790	153,077.00	693,328.00	4.37	Summit Timber Co. ¹
Dec. 14	Big Foot	3,850	185,829.00	319,552.00	1.87	F. R. Bradley Log. Co.
Dec. 21	Flyaway	5,000	89,417.60	88,417.60	1.00	Evergreen Helicopter.
Do	Little Deer Peak	15,700	555,778.95	1,991,654.85	3.59	Point Gardner Timber. ¹
Do	West Dart	2,000	62,613.50	193,187.00	3.13	Miller Shingle Co.
Dec. 28	Rotary	3,190	128,720.20	415,893.00	3.24	F. R. Bradley Log. Co. ¹
Do	Green Boundary	2,970	137,893.50	421,893.50	3.06	Miller Shingle Co.

¹ Major business is log export.

Source: U.S. Forest Service: National forest timber sales, region six, 2490.

TIMBER SALES, SNOQUALMIE NATIONAL FOREST, OCTOBER, NOVEMBER, AND DECEMBER 1972

Date	Name of sale	Volume thousand board feet	Appraised price	Bid price	Bid ratio	Name of purchasers
Oct. 13	East Valley Shelterwood	2,200	\$122,746.00	\$135,187.00	1.10	Chaney Lumber Co.
Do	Baring Salvage	1,390	97,464.50	113,453.50	1.16	Seattle Sno. Mill Co.
Oct. 12	Sawmill	10,100	359,857.00	369,876.00	1.00	Boise Cascade Corp.
Do	Swamp Devil	1,000	33,118.20	33,122.80	1.00	Layman Lumber Co.
Nov. 17	Carbon Ridge Blowdown	8,700	251,611.00	637,363.00	2.53	Point Gardner Timber. ¹
Do	3d of July	4,150	166,585.00	477,625.50	2.87	Do.
Dec. 1	Handsome Blowdown	1,520	58,699.90	103,805.50	1.72	D & R Timber Co. ¹
Do	West 28 Mile	6,500	259,861.00	476,260.00	1.83	Point Gardner Timber. ¹
Do	Cappy	1,770	137,992.80	159,561.50	1.48	Welco Lumber Co.
Dec. 8	Fire Creeks	11,690	614,374.00	1,110,110.00	1.81	Seaboard Lumber Co.
Do	Sky Hi	5,990	271,905.00	293,515.00	1.08	Mt. Baker Plywood.
Dec. 18	Lost Bear	1,000	32,482.20	32,482.20	1.00	Layman Lumber Co.
Dec. 22	Schneider Springs	7,900	321,007.00	321,007.00	1.00	Do.
Dec. 23	Cady	2,200	150,729.00	241,762.00	1.60	Transcontinental Log. ¹
Do	Dry Creek	4,200	215,325.00	879,185.00	4.08	West Coast Orient. ¹
Do	Martha	5,650	335,710.50	1,108,094.50	3.30	Trail Timber Co.
Do	Clearance	1,970	79,758.00	291,909.00	3.66	West Coast Orient. ¹
Dec. 28	North Fork	7,000	321,003.00	321,045.00	1.00	Layman Lumber Co.
Do	Sam's Creek	4,700	235,616.00	235,674.00	1.00	Boise Cascade Corp.

¹ Major business is log export.

Source: U.S. Forest Service: National forest timber sales, region six, 2490.

WHALEHEAD TIMBER SALE, RANOLE RANGER STATION, GIFFORD PINCHOT NATIONAL FORESTS, MAR. 23, 1973

	Douglas fir	Hemlock and others	Per acre material	Total
Volume.....	4,500	6,600	161 AC	11,100 + 161 AC
Minimum appraised price.....	193.12	77.14	36.35	979,016.35
Domestic bidder.....	103.12	77.14	36.35	979,016.35
Do.....	220.00	256.00	36.35	2,955,452.35
Do.....	193.12	77.14	36.35	979,016.35
Do.....	105.00	89.00	36.35	1,006,352.35
Do.....	682.00	77.14	36.35	3,583,976.35
Exporter.....	388.50	279.00	36.35	3,595,802.35
Domestic bidder.....	103.12	77.14	36.35	979,016.35
Exporter.....	103.12	77.14	36.35	979,016.35
Do.....	200.00	255.00	36.35	2,588,852.35
Exporter (successful bidder).....	364.50	295.50	36.35	3,596,402.35
Exporter.....	103.12	77.14	36.35	979,016.35
Domestic bidder.....	103.12	77.14	36.35	979,016.35
Exporter.....	325.00	260.00	36.35	3,184,352.35
Do.....	406.00	260.50	36.35	3,552,152.35

Allocation of exempt volume under Morse amendment

Federal agency :	Volume timber (million board feet)
Bureau of Land Management (Oregon)	60
National Forest—Oregon:	
Mt. Hood National Forest	49
Willamette National Forest	19
Siuslaw National Forest	9
Des Chutes National Forest	4
Rogue River National Forest	1
Siskiyou National Forest	3
Umpqua National Forest	3
Total Oregon National Forest	88
Total all Federal	148
National Forest—Washington:	
Mt. Baker National Forest	26
Snoqualmie National Forest	43
Gifford Pinchot National Forest	61
Olympic National Forest	33
Wenatchee National Forest	14
Okanogan National Forest	2
Total Washington National Forest	182
Total National Forest	270
Total all Federal	350

BURNS LUMBER Co.,
Encino, Calif., April 12, 1973.

Senator BOB PACKWOOD,
U.S. Senate,
Washington, D.C.

DEAR SIR: There have been a number of hearings and a good deal of discussion about the high price of lumber and wood products. The problem of log exports has come up constantly in these discussions. I believe the solution to the log export problem could be accomplished along the following lines:

The lumber market has always been a free market of supply and demand, and price is an excellent indicator of the supply: demand ratio. I suggest the establishment of a lumber price index. This index must be made up of a number of items so that no single or few items can be manipulated in price. For example, the index might be made up of the following, which represent the items most used in construction:

- 2x4, Standard & Better Kiln-Dried Hem-Fir S4S
- 2x4-8', Stud Grade Kiln-Dried Hem-Fir S4S
- 2x4, Southern Pine S4S
- 2x8, #2 & Better Green Douglas Fir S4S
- 2x10, #2 & Better Green Douglas Fir S4S
- 4x8, #2 & Better Green Douglas Fir S4S (Timbers)
- 1½", CDX Plywood

Once the index price is established, it would be possible to effect controls which would be fair and workable. When the index price rises, log exports would be curtailed. As the index price drops, log exports can be accelerated.

This system would achieve 5 important goals:

1. *Increase supply.*—When the lumber is needed at home, it would increase the domestic supply of lumber and decrease exports on an automatic basis if it were set up this way, so it would not be subject to government manipulations. We already have an Export Act which is supposed to reduce exports in time of need or inflation at home, but nobody in government has the incentive or interest to enforce it. This should be automatic.

2. *Return exports to the domestic market.*—With export prices considerably higher than the domestic price (\$100 to \$200 thousand board feet), if only a moratorium were placed on exports, the exporters would merely hold their logs until the moratorium ended, which would not do anything to help the domestic supply. However, if exports were curtailed because of a rising index price, it would behoove the exporter to help solve domestic needs so that he could get back to exporting. Under the index price system, the exporter would be inclined to put enough logs into the domestic market to increase the domestic supply and thus lower the index sufficiently to permit him to resume exports sooner.

3. *Prevent price pull on timber.*—The export timber buyer would not be inclined to over-bid the price of timber, causing a price pull on timber and thus on lumber products (in my opinion a major cause of the lumber price spiral), because in critical times he would not be certain whether or not the index would allow him to export. The same situation would exist for the domestic timber bidder—he would not be inclined to over-bid, not knowing whether the export supply of logs would be dumped into the domestic market.

4. *Signal U.S. Forest Service to increase supply.*—The price index—if set up as a U.S. Forest Service guide to timber sales—would enable the Forest Service to adjust its sales more accurately to the demand for timber products. However, for the Forest Service to be fully effective, it would need to maintain a certain reserve of sales in each timber area already prepared and ready for bid so this reserve supply could be put up for sale on short notice, and would be done automatically when the index price reached a signal level.

5. *Price stability.*—The contractor has always complained about the constantly fluctuating prices of lumber. Regardless of whether prices are up or down, he never knows what to plan for in the months ahead. The use of the above index would help to control the price of lumber and contribute to stabilizing it, which would be of much benefit to the construction industry.

It is strongly suggested that you take necessary action to insure that our own citizens never have to suffer shortages or incur inflated prices for our natural resources (and especially timber) because of competition from foreign buyers. I believe the index procedure suggested above would be a reasonable approach to proper control of timber exports.

Yours very truly,

G. A. WOOLARD.

STATEMENT OF CALIFORNIA STATE SENATOR GEORGE R. MOSCONE

As a member of the California Legislature, representing a State which has vast timber resources within its boundaries, I am here today to express my grave concern over the utilization of the most valuable natural resources.

Recently, as chairman of the California Senate Subcommittee on Environmental Impact and Unemployment, hearings were held in Sacramento regarding the effect of increased exportation of timber.

Those hearings yielded a great deal of testimony from those concerned with the effects of higher prices paid by foreign interest who seek a greater exportation of California timber.

The glaring conclusions of that hearing are three-fold. One, that the continuing increase in the level of export of California timber has just about made the \$25,000 single family residence a thing of the past. It has thereby precluded many individuals desiring adequate housing in this State from the housing market. Testimony was received from the building and construction industry of this State. That many builders, because of increased cost of material were "leaving frogging" into the construction of the class of homes of \$40,000 so that they could make a reasonable profit.

Second, the exportation of timber from California has resulted in worsening unemployment in many counties that already have an average unemployment in excess of 8 percent. A great portion of the economy of Del Norte County, Humboldt, and Mendocino Counties depends on the processing and sale of timber. When logs are simply shipped away, the depressing effect is felt especially in these northern counties.

It was demonstrated to the committee that the increase in exportation of logs has resulted in a decline in employment in the timber allied industries. This is not only true in the field of lumber processing, but also exists in the field of construction and to a lesser extent in transportation.

Thirdly, the rapid rise in exportation brings about an abandonment of sound force practices for the sake of the short term profit motive to the detriment of a sound environment for our forests and long range employment for our State.

We concluded that there is little, unfortunately, that can be done at the State level. It is possible that legislation can be written that will afford the State control over exportation of timber from State lands, which are not large; further, that the State may be able to exercise some controls over the sale to foreign interest by quasi government entities such as companies under the jurisdiction of the California Public Utilities Commission.

But such action would not effectively embargo sales of timber from privately owned lands where the vast holdings exist in California.

This is distinct from Washington and Oregon where State owned forest lands are much greater in size.

Effective controls on the export of soft wood timber at a time when there is a shortage on the domestic market, rests with the Federal Government. It is my conclusion that a phaseout of timber exports, as included in the Packwood-Cranston legislation, would be a proper answer to the problem.

I believe that if timber can be made available for the export market on an environmentally sound basis—at a time of surplus in this Nation—it should be allowed.

The hearing in Sacramento did not go into the question of exportation of finished lumber. I invite this committee to fully explore the question of the effect of such export. However, it is very important to consider the entire labor force in California. The committee ought to undertake a full investigation of the labor requirements necessary to export logs, versus that needed to export finished lumber.

In conclusion, I would like to say a few words about substitution. Many critics of the export ban have suggested that the problem can be solved by a strong anti-substitution clause relating to public timber. It is my fear that the effect of such a clause in California may be to open our vast holdings of private timber to questionable forest practices, and irresponsible speculation in timberlands as a commodity.

There is nothing to prevent a private landowner simply taking his logs to a port and eliminating any use of a mill and its attendant employment.

Finally, I would submit to this committee the transcript of the State Senate hearings on March 28, 1973.

Thank you.

STATEMENT OF R. DENNIS HAYWARD, FEATHER RIVER LUMBER CO.

My name is Dennis Hayward and I represent Feather River Lumber Company, a division of Di Giorgio Shelter Products. The timber supply crisis which is reflected in the high lumber prices is of utmost concern to our company.

Feather River Lumber Company operates five lumber processing plants in the Sierras. These plants provide over 650 jobs and are the major source of economic well being in four towns and two counties. These plants are operating at 73% of capacity and further reductions may occur in the coming months if immediate corrective action is not taken. The majority of our timber is purchased from the Plumas and Tahoe National Forests although we do purchase a significant volume of private logs. As we watch our log inventory dwindle and find it increasingly difficult to purchase additional volume we also see public owned timber rotting on the stump and we see truck loads of private logs pass our plants headed for the Port of Sacramento. Further down the line the corporation's seven molding and box plants are operating at less

than 60% of capacity. Recently 300 workers were laid off, most of them in one county. That means 300 additional families on the unemployment and welfare rolls.

There is a true and serious timber supply crisis. It is an *immediate* problem requiring *immediate* action. Without action the situation will worsen as reserves are used up and plants are closed. Immediate action is needed in two areas.

First, the manpower and budget limits must be lifted from the Forest Service so that all Forests may put up their total allowable cut plus their accumulated undercut. Secondly, there must be an immediate control of the exports of both private and publicly owned timber.

The solution to the first problem, that of the release of national forest timber is simple and straight forward. Every forest should be given the manpower and funds to put up the annual allowable cut plus their accumulate deficit. On the Tahoe and Plumas National Forests where we purchase the majority of our raw material there is a combined yearly allowable cut of 369 million board feet yet the two forests have an accumulated undercut of 439 million board feet. This fiscal year less than 280 million board feet will be sold and the undercut will increase by another 88 million board feet. When mature timber goes unharvested it is poor forest management, it hurts local economies, it cheats the public out of revenues and it causes higher prices for the finished products. Timber management is one of the few facets of our government which not only pays for itself but shows a healthy profit to the tax payers. Feather River Lumber Company urges the Congress and President to provide the Forest Service additional funding as a necessary step to help relieve the timber supply crisis.

The second major problem area in timber supply is the export situation.

In any area where lumber companies such as ourselves operate the capacity tends to seek an equilibrium equal to the sustained volume, public and private. Whenever this volume balance is disturbed, such as in the exports situation, there will be increased price competition in the short run and reduced capacity in the long run.

The area in export discussion and legislation which seems to be the key is the matter of substitution. Even with all the discussion, substitution has not even been adequately defined. There are three kinds of substitution which must be made illegal.

First there is direct substitution where a firm sells its private timber and replaces the volume at its plants with Federal timber.

Second is financial substitution where a firm or group of firms under common control sell private logs from one area to the high paying exporter and use the easy profits to subsidize bidding activities in another area.

Thirdly, there is indirect substitution. This occurs where logs are exported at one end of a timber region reducing the available volume in that area. The result is a chain reaction as all operators struggle to get sufficient timber. The effect spreads away from the export area into other areas forcing *prices up and production down*. The end result has to be a decrease in domestic production equal to the volume exported.

The effects of export are evident in our area both at the bidding table and on the ground. One operator is harvesting logs within 30 miles of our plant, hauls them past two of our plants and on to the Port, some 200 miles away. Another operator is hauling from far north of us, right through our working circle and on to the Port. The old concept of economic haul and the working circle must be re-examined. A cedar mill near one of our plants has found it necessary to go clear to Oregon in order to get the raw material to operate—a round trip of 592 miles.

Log exports discourage good forestry. With export prices what they are today the private timber owner can over cut and sell his immature timber overseas. A ban on exports would force the same owner to hold his timber until it is biologically and financially mature on the domestic market.

Log exports discourage capital investment in new plants and machinery. Exporting opens the door for a quick *high profit low risk* liquidation of the timber supply. With the threat of export alive the private operator is facing a higher risk in improving his facilities.

Feather River Lumber Company believes that the country as a whole and the American wood products industry would be better off in the long run if all

exports were banned. If export is allowed it should be of surplus timber only. Before there can be a surplus the following conditions must be met:

1. All facilities in the timber region must be at or near full capacity. There must be no unsatisfied demand for logs.

2. The exporter must prove no substitution effects whether it be direct, indirect or financial substitution.

3. There must be no effect on either stumpage prices or finished product prices as a result of the export activity.

Obviously at this time there is no surplus of timber on the domestic market. Therefore we would call for an immediate ban on the export of all logs until such time as a log surplus can be proven and the present crisis resolved.

So far as the balance of payments is concerned we believe the inflow of foreign money would be increased if exports were limited to finished products. The prices Japan and other countries are paying for logs would indicate that their other log sources are limited. In short let the value added from manufacture be by the American worker and let every board exported be end stamped "MADE IN AMERICA."

In conclusion, it is Feather River Lumber Company's belief that the ultimate solution to high lumber prices is in the workings of the free enterprise system. Government should take the actions outlined to increase the log supply to the domestic producer. This will in turn lead to satisfying the lumber demand and a lowering of price levels.

FOREST INDUSTRIES,
San Francisco, Calif., April 11, 1973.

SENATOR ALAN CRANSTON,
*U.S. Senate,
Washington, D.C.*

DEAR SENATOR CRANSTON: Thank you for your letter of March 21, in which you sent a copy of S. 1033 (log exports) and in which you invited written comment about the bill and about the broad topic, no later than April 23, 1973, so that the material might be included in the record. I appreciate the opportunity to offer comments and I note from your letter that you and Senator Packwood will be conducting a hearing on this proposed legislation (and on lumber and plywood prices) in San Francisco April 13.

I assume the invitation to comment also includes opportunity to offer observations that relate to the overall matter of timber supply, prices, public reaction and other related items, if not necessarily to each specific line of S. 1033.

I am certain that you and Senator Packwood will have been supplied with specific comments—from a variety of forest industry sources and persons—undergirded with professional, technical and legal expertise. To cite just one course of such date, I refer to the National Forest Products Assn. and its staff. Although I am aware of the many other organizations and persons who will have addressed themselves to all sides of the subject, too, I note NFPA because, being a federation of associations, it will have offered opinion from across all regions and all species.

I feel—and quite sincerely—that any contributions I may make will have their potential value in observations about the whole broad matter. While you may quickly judge that such comments are not line-for-line responses about the bill, I would hope you will agree that they are not without relevancy at this stage of the game.

May I explain why.

First of all, by way of establishing some basis for offering my opinions, may I note that I:

Am a resident of Walnut Creek, California, and am editor of Forest Industries magazine, San Francisco, which covers both the raw material and manufacturing elements of the industry, on a national basis;

Have been associated with the magazine and its predecessors, in an editorial capacity, for 16 years. The magazine is one of several, strongly oriented to natural resources, published by Miller Freeman Publications, San Francisco;

Was, prior to joining the editorial staff, associated, for three years, with American Forest Institute, the forest industry's information organization;

Was graduated from Louisiana State University with a degree in forestry;

Am a member of the Society of American foresters, the Sierra Club, and the American Forestry Association;

Have lived and worked in the three leading lumber producing states—Oregon, Washington and California—and have lived and worked in the South, where a whole new forest has been brought into existence.

On the specific subject of extending the ban of log exports from federal lands, until some semblance of relief from high costs of building materials in the United States is achieved, I generally support that as one step in the process. The industry, it has already been announced, supports the premise of extension of the "Morse Amendment," dealing with export of logs from federal forests, and, at the same time, urges quick action on establishment of legislation relating to substitution of logs from other sources. This, I feel, is more a holding action than a solution to a bigger, wider problem—timber supply and product demand.

One thing which does strike me regarding S. 1033, is SEC 202 which notes that: "It is the finding of the Congress that the substantial increase in recent years in the rate of export to foreign countries of coniferous timber is creating a severe domestic shortage of softwood lumber and plywood . . . impairing stability . . . threatening serious unemployment . . . threatens capacity of the United States to produce wood products . . . etc . . . etc."

While recognizing that S. 1033 deals with log exports per se, I am concerned that there is implication that exports, and exports alone, are the problem. Someone who is far removed from the forest industry would likely make that assumption and accept it as the whole story. He would not be aware of any elements of artificial scarcity in domestic supplies of timber, nor of relationships between sources of supply and the economics of supply and demand for wood products.

This is why I stated at the outset that whatever observations I might offer would have more potential value in their relevancy to the overall situation than in a line-by-line commentary on S. 1033.

The situation (lumber and plywood prices, increased costs of homes, headlines about jobs being shipped overseas, etc.) is a complex one—for which there is not and cannot be a simplistic answer, however much the average citizen may long for one and however many headlines suggest there is one.

The complexities of the situation were amply stated and substantiated in the spate of hearings in 1969, following a rise then in prices for wood products. Testimony given before committees of both houses of the Congress, and in many state legislatures, dealt with timber supply and with the economics of supply and demand. In the news pages of FOREST INDUSTRIES magazine there are summaries of testimony given in early 1969, much of which has already been given, again, in 1973. We could, quite frankly, run the material from 1969 again in 1973, changing only the dates, for many of the very same names of witnesses apply.

During those 1969 hearings, there were statements by industry representatives that, unless some steps were taken to begin remedying the causes of the situation, there would be repetition of the circumstances as soon as housing picked up. I say "begin remedying" for it is not possible to immediately correct an imbalanced situation which has existed for a long period.

But we now are in a new season of re-runs and it appears the TV industry has no monopoly on those.

Meanwhile, what has happened since 1969?

The population in 1969 was 202,600,000; it now stands at more than 210,000,000

Housing starts then were about 1,500,000; in 1972 they were 2,400,000

Disposable income was estimated at \$634 billions in 1969; in 1971 it was, according to latest data, \$741.3 billions

Consumer price index, all items, was 109.8 in 1969 and in 1971 it was 121.3

There has been increased demand for almost all goods and services and there has been increased ability to pay for them

There has been increased recreation, leisure, and increased use of forest lands

The United States government (the citizenry, with management by the U.S. Forest Service) still owns more than half the commercial softwood timber available for harvest and conversion into building products

The federal government has outlined a national housing policy calling for starts which would annually average 2,600,000 in this decade (contrasted with the record setting 2,400,000 in 1972)

Yet, the Forest Service budget (and its ability to "buy" more personnel capability) has not kept pace with people's disposable incomes

Timber sales volumes have been reduced, in the face of rising demands for products

Environmental actions and litigation have delayed or hampered potential timber sales and, in some cases, have halted previously contracted sales

Some 5 million acres of potential commercial forest land in federal ownership remain understocked, poorly stocked, or not stocked at all

The nation's balance of trade has become more and more unfavorable

These are but a few of the things which have happened—or not happened—and which cannot fail to have impact on this topic on which so many headlines have been made of late. They point directly to the complexities involved.

And yet, today—in presumably a more enlightened and knowledgeable era—we have been assailed on all sides, in nearly all media, with statements implying "Ban log exports and the high cost of housing will be corrected." And, along with that, have been similar statements, such as: "All our lumber and plywood products are being shipped to Japan and the forest industry wants to wipe out the national forests."

I submit, Senator, that rather than massive doses of legislation and rhetoric, what we need to help remedy the situation is application of equally massive doses of logic and explanation—again, and again, and again—plus application of pertinent parts of those laws which already exist. And I submit, too, that all of us share in the responsibility in such a comparatively dull, non-headline-making, unemotional, often-frustrating effort.

If, in such effort, we achieved nothing more than broader public awareness that there is no simple answer, that, in itself, will have been a major achievement.

I believe the forest industry has an unending responsibility to continue telling the facts—unemotionally, completely, professionally.

I believe the public figures have a responsibility and I believe business associations and organizations have a responsibility.

And I believe the news media have a particularly grave responsibility.

At the opening, I noted that I am a resident of Walnut Creek. This, as you are so well aware, is in Contra Costa county and the county is one of the busiest housing counties in the nation, situated as it is, near San Francisco.

A local paper there, the Contra Costa Times, last week had a two-part series on the topic: "Area housing is in pinch." Two reasons were headlined: "Japanese needs; city permits."

The lead paragraph of the first installment said: "Prosperity in Japan and municipal needs are conspiring to make the new home one of the most inflated values on the American consumer market."

"The Japanese prosperity, exemplified in the biggest building boom in its history, is boosting American construction costs out of sight."

The writer then proceeded to quote the public affairs assistant of the Associated Home Builders of the Greater Eastbay. Said the PR man: "For once the Sierra Club and ourselves agree on something." He was referring, he said, to their common frustration over "*lumber* exports" to Japan. (Underlining supplied—to accent use of the word *lumber* here, instead of logs.) The home builders, the public affairs assistant noted, and the environmentalists are worried as "western lumber producers eliminate timber stands" to satisfy what the speaker termed Japan's "insatiable appetite for building lumber." (Note the wording . . . eliminate timber stands . . . a statement not only inflammatory and confusing, but outright untrue.)

The article later states that the "Japanese are now going to have good homes—probably at the expense of the American home buyer and builder."

Again quoting the public affairs assistant, the article explained, "Long-range danger is that the lumber industry, which has not fully advanced its technology in 20 years, will sink even lower into industrial laxity, due to a ready market for the roughest lumber." (Not only is the PR assistant guilty of a misrepresentation, he is obviously unfamiliar with the facts. The reporter also accepted everything at face value. The industry has made considerable strides and continues the effort. And it takes money—profit—in order to further the effort. In February of this year, for example, Forest Industries and Western

Timber Industry magazines sponsored a sawmill clinic at Portland, Oregon, at which not only the latest techniques for converting saw-logs into lumber and other products were discussed, but also the actual experience, successful and unsuccessful, in those techniques. Who attended? Well, 835 mill men and managers from the Northwest, British Columbia, and from as far away as Quebec and Georgia. That hardly reflects laxity in learning about and applying new techniques. Speaking at an industry meeting in Phoenix, Arizona, in late 1972, where the interest was focused on resource availability, a leading forest industry company officer noted that: "In 1971, 30 per cent of the lumber produced and 67 per cent of the plywood production were a direct result of technical improvements made since 1960." He observed, correctly, I feel, that, "The fact that installation of new manufacturing equipment involves major capital investment decisions and that each mill operates within its own set of economic constraints, is neither recognized or understood by the public.")

May I quote further from that first installment of the newspaper series. The reporter now is quoting you and Senator Packwood on the topic.

"Senator Cranston predicts that within 90 days new homes will jump another \$1000 from their current market value—again due to lumber costs."

Then he quotes you and Senator Packwood as indicating that you both believe "that many sawmills will shut down by July due to a rapidly-diminishing timber reserve. Nearly 91 percent of current *lumber* production, an all-time high, is going to Japan."

I submit, Senator, that there are few readers who will be analytical enough, patient enough, or astute enough to look behind that statement. While I assume you and Senator Packwood were misquoted, and the term *lumber* was used, instead of *logs*, the facts are considerably different from what the readers sees—and grasps on that first impression. (He is not likely to know that, of all logs being exported in 1972, when exports were at a high, 90.3 per cent of the *logs* went to Japan.)

That this may have been a mis-quote is not, I fully realize, your fault. However, nothing that might be printed in correction, or in retraction, will come near erasing the initial message in the readers' minds. Neither will those readers likely be astounded at the obvious error in the paper . . . that 91 percent of all our lumber being produced is going to Japan. Were that the case, there would be nothing left here to build with at all. There would be no home construction, inflated or otherwise. But the readers, already confronted with high costs, will understandably seethe when they read that kind of sloppy reporting.

I submit, Senator, that the media share in this problem—far more than is recognized. I think it would be reasonable to say the media have contributed as much to confusion as to clarification of the issues.

I submit, also, that a representative of the home builders association, making such unfounded, categorical statements, adds to the problem.

Moving to part two of the series, the reporter writes (of S. 1033) "that via Senate Bill 1033, western lumber producers now exporting millions of board feet of lumber to wood-hungry Japan would be gradually stopped from doing so.

"The current rush to sell logs and rough lumber to Japan has so dwindled the available supply of lumber to the American market that the cost of home-building and buying has been inflated way out of proportion."

I suggest, Senator, that the reader, seeing "millions of board feet" and being unfamiliar with industry log or lumber scale, or totals of production, mentally translates that into just about the total of all we produce.

Continuing, the reporter quotes a central Contra Costa builder, regarding prices of Douglas fir studs . . . "As lumber company profit-making in the face of the Japanese sell-out shortage sends wood prices skyward."

And going on, in reference to S. 1033, the reporter says the bill "seeks not only to curtail exports, softening the domestic market, but to preserve whatever timber reserves the lumber industry now holds."

I submit, Senator, that that kind of irresponsible reporting does little to correctly interpret your bill, the operation of the forest industry, the actuality relating to timber supplies and timber ownership in the nation, nor the economics picture involved in all of this controversy.

And the PR assistant is again quoted, in the simplistic problem-solution vein which has made my blood boil in recent months . . . "very possibly it will take

a complete shutdown of lumber exports to Japan (again, lumber, not logs, in print) to bring American home building and buying back into focus."

The article devoted a modest amount of space to the added costs of reserving green belts around developments and to other newly-invoked environmental quality requirements, but perhaps only 10 percent of the total series was directed toward those and other costs.

The reporter did quote a real estate developer, who, it seems, may have added more valid information to the whole equation, intended or not, than did the reporter himself. Said the developer, "There's better, faster appreciation in a new home. In 18 months, ownership of a tract home can often produce a \$4,000-\$9,000 profit." The statement, quite valid, suggests it is OK and understandable, not only to want a new home of your own, but to make a good profit if you have to sell it. Yet, it is said that profits from exports are the villain in the high costs of building that home . . . the home for which there was demand and for which the buyer had the money.

The final paragraph of the series said, "It is apparent then that inflation and the decline of the moderately priced home are failing to stop a general trend back to single-family home building and buying."

There is more income. There is more demand for housing. There are more people. There is value in investment in a home. And so I submit that the simplistic statement that cutting off all exports to Japan is going to offset the advance of the laws of economics is patently false and is detrimental to rational efforts at solution of the bigger problem—supply and demand.

I have quoted at length from that series, including its frequent errors in fact and in statement, because, although this is just one newspaper, these kinds of things have been repeated countless times in papers across the land, and similar "explanations" have been aired by TV and radio newscasters. Who knows how many millions of listeners and readers have—understandably, but unfortunately—accepted them as gospel truth.

Nowhere, Senator Cranston, in either of those articles, nor in hardly any others I have seen, was there any reference to the fact that laws of supply and demand remain with us. Nowhere was there information for the reader to let him know that the federal government owns more than half the commercial softwood sawtimber in the United States and that US Forest Service timber sales volumes have been reduced, and USFS budgets reduced.

Nowhere in there was there any information for the reader to understand that on reliable estimate, \$1 invested in intensive forest management of federally-owned commercial timber lands can produce from \$3.50 to \$4. perhaps even more, for the federal treasury, and can help improve the condition and the supply of timber in the long run.

Nowhere in the series was there reference to the fact that USFS timber is bought on a free and competitive bidding basis, with lesser sales volumes obviously resulting in higher bid prices for raw material . . . where all lumber and plywood starts.

And nowhere in the articles was there any notation of the kind that informs the reader that in the Pacific Northwest forests, for example, there is an annual loss of potentially usable timber to insects and disease equal to the annual harvest . . . or that similar conditions exist on other forests.

I am *not* implying that these points belong in S. 1033, nor in any other similar legislation. What I am seeking to emphasize is my belief that there is a far bigger problem than log exports and that it will not be solved, as so much of the public wishes or believes, simply by curbing log exports.

We are, as you so well know, a wood-importing country—importing far more than we export, most of its from Canada. Forest Service data show, for example, that in 1950 we exported 5 million cubic feet (cubic feet, not board feet) of logs; in 1969 we exported 360 million cubic feet and in 1971 350 million cubic feet. For the same years, the same statistical table shows, we exported 45 million cubic feet of pulp products, 1950; 430 million cubic feet in 1969, and 485 million cubic feet in 1971. Those are all roundwood equivalents. And the United States received money for those exports. The pulp products, made from trees also, were of greater volume than the log exports.

Meanwhile, on the economic front, our international trade deficit in 1972 was a whopping \$6.4 billion (Bank of Hawaii news note) and in just the past three years foreign nations have accumulated \$50 billion, US dollars, as our deficit in the balance of payments has grown even more unfavorable.

That accounting seems a long way from the cost of nailing a 2x4 stud to the framing of a home, but there is an inevitable interrelationship.

Referring briefly to this newspaper series—or to similar other series—nothing was said therein about there being 4.5 to 5 million acres of federal lands, potential commercial forest lands on which to grow timber for lumber or plywood, which are understocked, poorly stocked, or not stocked at all. Yet that information, too, was part of the testimony four years ago, in the 1969 hearings.

Nor was there explained, for example, that litigation by environmentally-oriented organizations has halted or delayed timber sales. The environmental lobby shares in the overall responsibility, too, for such shortages which exist.

In addressing the 1973 annual meeting of Western Timber Assn., San Francisco, an attorney who has represented the industry in suits involving Sierra Club litigation, said, "The Forest Service has had more legal actions directed at it in the past five years than in the preceding 60 years."

From the Oakland Tribune there is this headline, on a story reporting a California state Senate subcommittee hearing on lumber and plywood prices: "Japan's lumber buying said to double U.S. price." Again, the term *lumber*, not logs. And quoting a builders' association witness at the hearing: "Japan has 24,000 lumbermills and the U.S. government is helping feed those mills by 'profiteering' off the big prices Japan is willing to pay to get timber from federally-owned forests."

What we in the United States receive from those exports to one country helps, but doesn't do a great deal toward reducing that previously-noted deficit of \$6.4 billion built up in 1972 alone.

The report of the Sacramento, California, hearing did include a note about costs of transportation adding more to the cost of finished lumber and of finished homes.

But that report did not have any reference to the perennial freight car shortage which has plagued the industry for so long. As of March 23, 1973, according to the American Plywood Assn. traffic and transportation people, the softwood plywood industry in the West was 1,276 cars short, out of a total of 3,322 cars required. On a national basis, the industry was short 1,506 cars, out of 4,480 cars required to deliver that plywood to market.

But the car shortage has been a subject of congressional hearings, too. It has contributed its share of impact on the overall picture. It cannot help having impact. Estimates are that 86 percent of the paper industry's mill volume moves to market by rail, and about 76 percent of the lumber, plywood and other solid wood products move to market the same way.

And how many of those readers would have even the slightest idea that, as the nation ships grain to Russia, in furtherance of international trade, there would be any connection between that and a few more dollars added to home building costs. Rail cars which might possibly be used for transport of forest products are helping move grain to ports for shipment overseas.

Probably more logs move from the state of Washington than from any other U.S. source—most of them destined for Japan. In that state, according to its commissioner of public lands, Bert Cole, "Timber harvesting from state-owned lands is producing nearly \$50,000,000 a year in direct stumpage revenue each year to the state and counties. And the income from this crop can continue forever."

In January 1973, addressing the Economic Council of the Forest Products Industry, Cole said, "We produce two main things on state lands—timber and agricultural crops. We trade dollars for them."

"There is demand for logs in export in free trade and this is our own problem. Yet, there was a meeting in Louisiana concerning itself with Washington exports."

"Export of lumber, pulp, paper and logs is important to us in Washington. We are managing on sustained yield and we are investing in intensive management. In 1960 we harvested 4.725 billion bd ft from 341,000 acres of state lands. In 1970 we harvested 6.6 billion bd ft from 325,000 acres. [EDITOR'S NOTE: See letter printed at conclusion of this report.]

"I was able, four years ago, to convince the legislature to allow me 25 percent of the budget in forest management—including clearcutting practices. I think the public in Washington appreciates what is being done and what is possible. And I think I represent the public, for I got 1 million of 3 million votes cast."

Cole explained that the state uses clearcutting on its lands and uses that system, where appropriate, to *save* the ground and water. "Clearcutting larger tracts means fewer roads are needed to be built where erosion and damage to terrain and water might result."

Yet, in our national picture, supplies of harvestable timber have been held back or harvest of them has been delayed by court actions because "clearcutting was involved." It is but one of the many facets of this entire, confused timber supply and timber shortage picture.

There are, Senator, many similar kinds of observations which might be offered relating to this whole matter of timber supply and product demand and, of course, the final prices at the market place.

Most, if not all of them, have been voiced before—and the 1969 testimony must surely abound with references, tables, footnotes, and statements, both emotional and unemotional. Most of them still apply today.

The general public, somehow, needs to be apprised of the facts—repeatedly—and given access to information which precludes belief in there being simple, flat-out answers to a complex set of problems.

Just to list a few points.

In 1969 the chief of the Forest Service indicated the national forests could increase production by about half—and this would not be, and is not expected by the forest industry to be, at the expense of other, non-industrial and intangible benefits from the forests.

In our June 1969 issue of the magazine, a news note on the annual meeting of the Industrial Forestry Assn., Portland, Oregon, carried this observation by the key speaker, Charles Connaughton, the U.S. regional forester based at Portland and responsible for national forests in Washington and Oregon:

"The potential harvest can be increased," Connaughton said. "Just how much increase there can be, I don't know. Perhaps a third, or a half, or a quarter. I know I'd settle for 10 percent this year."

(If I may be allowed to slight aside here, in this list of points being offered, here is a more up-to-date glimpse of the kind of obfuscation which often enters the scene. Referring to the aforementioned hearing at Sacramento, California, on Timber supply, the April 1973 edition of the Sierra Club's Capitol Calendar news report commented that "some witnesses suggested that the federal government could bring prices down by expanding the amount of timber cut on federally owned and managed lands." The comment went on to say, "According to the witness, we should cut more trees to improve the health of the forest. A perspective vaguely reminiscent of the logic that encouraged American forces in Vietnam to destroy villages in order to save them."

I submit, Senator, that that is not only a misleading but a totally invalid observation. It leaves the implication that in meeting timber demands, cutting—and only cutting—no management, no restocking, no-nothing-else is done or planned. May I re-direct attention to the evidence of what management can do, as attested by Bert Cole's statements previously noted. And as just one other example of what forest management can do, may I add just this one "item." from the Spring 1973 Perspective, published by the Tennessee Valley Authority. The TVA covers a whole inner land empire, ravaged and barren in the 1930's. This Spring 1973 publication, with news note on the forest industry, said, "From 1960 to 1970, the value of forest products manufactured in the 125 TVA counties doubled, increasing from \$500 million to \$1 billion. The forest industry now ranks fourth among the region's manufacturing industries in employment and total wages." Yet there were few, if any, viable forest stands left back then—and surely not intensively managed stands. Along with today's forests, workers, incomes, and other economic benefits there also is a whole recreation empire in that TVA area. Who says forest management doesn't work?)

To return to those points I began . . .

In fiscal 1971-1972 the federal government planted 314,578 acres. The forest industries and other private landowners planted 1,300,781 acres. Yet we are told of the need to rehabilitate nearly 5 million acres of federal forest lands.

The forest industry owns about 14 percent, or 67 million acres, of commercial forest land, while the national forests and other federal, state and county commercial forests total approximately 136 million acres. The national forest lands, as dictated by the Congress before the turn of the century, when the national forests were established, must be used primarily to supply domestic needs and to protect watersheds. In recent years, the public has come to be-

Heve and, in my opinion, to be led to believe, that "national forest" means "recreational forest" or "wilderness preserve," not producing forest.

The Multiple Use Act affords further legislation by which products and intangible benefits are to be generated in management of federal lands.

Commercial forest land is declining in area and more intensive management on the remaining acres is essential. Again, refer to Bert Cole's report of results gained in Washington State.

It would be beating a dead horse to list numerous others, each of which would be an important thread in the whole fabric. But the facts have to be made known—as often as appears necessary, and as unemotionally as is humanly possible.

In 1970, Forest Service timber sales volume was 13.4 billion bd ft. In 1972 the volume was 10.3 billion bd ft. Yet 1972 was the nation's biggest year ever for housing starts.

May I offer this from the book review page of Sales Management magazine, in a recent issue. Lemuel Boulware's book, "What You Can Do About Inflation, Unemployment, Productivity, Profit and Collective Bargaining," was being reviewed.

The reviewer noted that Boulware was the man commissioned in 1947 to revamp General Electric Co.'s image and quoted Boulware's statement made at that time: "The average citizen can and will make sound economic and moral decisions for his own and the common good when he is given access, over a long enough period, to the full facts and claims on both sides of any job-related or community-related question."

I believe the current—and re-current—matter of timber supply, and housing, and exports, and jobs properly fits the category of job-related and community-related concerns.

Here, I believe, is something else which pertains. It is a quote from another American personage: "We must beware of the formation of a coalition of isolationists. If we fall into isolationism, we will find that we are the ones who are isolated. We cannot afford to repeat tragic mistakes of the past."

"There is nothing new about this desire to retreat into fortress America."

"Unless business and labor and government work together within the American system, we're not going to have a system to work in at all."

The speaker was fundamentally referring to military and political isolationism, but incontrovertible economics was involved, too. The speaker was the late President Lyndon Johnson.

Appropos of his final statement above, here is an observation from a March 1970 BUSINESS WEEK special report on Japan's remarkable industrial machine. The editors quoted a leading Japanese economist: "In the U.S., hostility still exists between business and government. Here we cooperate nicely." That cooperation, the article noted, put Japan third in the world behind the U.S. and the Soviet Union in industrial power.

In conclusion, and inasmuch as my real premise has been to strive to make the point, somehow, that we cannot solve complex issues with simplistic pronouncements—however much we wish a simple answer for things did exist—may I offer this:

In the April 1973 issue of San Francisco magazine, there is a lengthy, analytical, professionally done article (in dramatic contrast with much reporting today) by Thomas B. Carter. It is "Trade—The Japanese hope to keep it a two-way street but California businessmen have a long way to catch up." Carter shares this anecdote:

"We were sitting in a meeting in Stockton and they were asking us what do the Japanese people want?" With that, Hiroshi Nakano, public relations manager for the Japan External Trade Organization (Jetro), sat back on the couch at the Japan Trade Center and gave a very helpless look.

Carter went on to explain, "When Japanese businessmen go into a foreign market, they thoroughly study trends, consumer behavior and price standards before preparing a sales strategy. The Stockton folks had done none of that: They expected a simple answer where none exists."

None of this is to say that Japanese bidding for raw material does not have an effect. To imply that would be ludicrous. But to ignore the other factors is no different. Nor does anything that I have offered imply that a monetary embargo will not have some salutary effect. But, in the long run, neither log export bans nor price controls on products are desirable, in my opinion.

I would hope, Senator, that price controls, bans on exports—logs, lumber or plywood—and any other fetters to growing international free trade would not long be a part of this nation's business scene.

I would hope, instead, that the Congress—and an informed electorate—will resolutely require the management of this unique renewable natural resource we have, our commercial forest, in a manner and to a degree that not only will assure we will have it in perpetuity, but will have ample supplies of building materials, at reasonable prices, to shelter the population; will have ample opportunities for recreation and non-industrial use of the forest; and will also have some surplus logs or products—or both—to ship overseas, Atlantic or Pacific, in free international trade that will benefit “them” and, benefit “us.”

Achieving such a goal means traveling an arduous path with much give and take. That will be difficult and complex. It will mean prompt, definitive, dedicated effort.

The simple part of it—and here I have purposely selected the word “simple”—is that we already have the capability and the technical know-how.

Thank you for inviting me to offer observations on this complex subject.

Sincerely,

HERBERT G. LAMBERT, *Editor*.

FOREST INDUSTRIES,
San Francisco, Calif., April 13, 1973.

SENATOR ALAN CRANSTON,
*U.S. Senate,
Washington, D.C.*

DEAR SENATOR CRANSTON: In the letter I mailed to you yesterday, written comment you invited me to make regarding the log export situation and S. 1033, et al. I note there is one sentence which might easily be misconstrued and so result in a totally false impression.

On page 10 of that letter, fifth paragraph, the second-to-last sentence says, “In 1960 we harvested 4.725 billion bd ft from 341,000 acres of statelands.” In that quote by Washington's commissioner of lands, Bert Cole, it will be less likely for a misunderstanding to occur if it were, instead, re-stated this way: “In 1960 we harvested 4.725 billion bd ft from 341,000 acres of forest lands in the state of Washington (all lands).” This will preclude any belief that the quote referred only to Department of Natural Resource lands.

Also, in regard to the lumber and plywood price situation, may I ask that you append the accompanying editorial to my letter to you. It is, as you can see, more than six months old. It referred, back then, to the laws of supply and demand and of available timber supply.

Thank you.

Sincerely,

HERBERT G. LAMBERT, *Editor*.

[From Forest Industries Magazine, September 1972]

AND NOW, LADIES AND GENTLEMEN—BROUGHT BACK BY POPULAR DEMAND

The 1972 scrutiny of record prices for softwood lumber and softwood plywood seems a new version of the 1969 show—when Congress was investigating the industry and prices. This time there are some new faces and characters, but most of the old familiar ones are here. Again, as in 1969, the show is the creation of a keen and persuasive pair of authors—Supply and Demand.

But this year's show is no comedy. Nor was the earlier one.

This year's show was forecast to appear—not in a specific year, but inevitably—by forest industry spokesmen during the 1969 performance. Little would be served by recounting those warnings. When the supply and demand formula is applied, results can be pretty well forecast.

The current situation has resulted in, among other things, the government's re-applying controls to the smaller operations in the industry. Exempting them did not add sufficient clout to hold prices in line.

Understandably, a lot of people and organizations are bothered by the price structure . . . the federal government; home builders' associations; consumers; the Congress; and though some outside the industry might think it strange, the forest products industry, too.

The very admirable and desirable federal goal of some 26 million housing starts had rough going at first. It stumbled. But in 1971 and in 1972, housing burst its bonds. It was a leader in moving the country out of the latest recession. It boomed. It is booming. That means unprecedented demand.

Whether the 1971-1972 pace will be sustained, or even can be sustained, during the remainder of the decade can't be guessed. Yet even at a lesser level, but still a high one, there will be great demand for forest products.

Why forest products? Some will ask that.

Up the substitutes! Some will promote that.

But forest products are the most logical building material, for two basic and long established reasons: 1. They are replenishable; 2. They are versatile. No others can meet both criteria. And a third criterion might be added: While the raw material is being grown, harvested and re-grown, the same sites can provide people with pleasurable activities at the same time.

It seems to me there are more people in this country who need, want and are entitled to adequate housing than there are people who need, want and are entitled to set asides of vast areas of commercial forest land, largely for single use. Were there NO such areas set aside today, the comparison would be different. But there are.

Among the characters in this year's performance we might list: The record pace in housing and the resultant demand; the fact that the Congress has never really appropriated the funds with which the Forest Service could do the land and forest management job it is technically capable of doing; litigation by conservation organizations, seeking to halt existing timber sales and block commercial forest activity on millions of acres of unroaded federal land; and a wide array of pricing and control patterns.

When this show is over—and a short run is much hoped for—curtain calls will surely be taken by Supply and Demand. The overall sponsor, Popular Demand, will take a bow, too. They may even announce repeat performances in the years ahead.

Separately and together they are a force to be reckoned with, whenever they appear.

What seems in order today, and to avoid repeat performances, is some good old common sense reckoning.

OROVILLE, CALIF., April 9, 1973.

ALAN CRANSTON,
*Senate Office Building,
Washington, D.C.*

DEAR SENATOR CRANSTON: Thank you for your invitation of March 23 to submit an appraisal of the effects of the Douglas Fir Tussock Moth on timber supply and lumber costs. I would appreciate this letter being made part of the record of hearing on the issue of log exports.

I will try to hit only high points, with the understanding that the enclosed support documents may be held in the files of the committee. If there are specific questions, I would be pleased to try and answer them.

The Tussock Moth is a problem this year in Eastern Oregon and Washington. While it is a natural pest, the present infestation outbreak is expected to result in the loss of about 300 million board feet of lumber, with the value loss, after salvage, of about 13 billion dollars. This estimate does not measure the loss in future production of fir species thru death of small trees and the time lag in replanting, nor does it measure the future hazards to streams from the expected silt. Soil erosion will result when the clearing is done to remove the encroaching brush that is expected to invade the infested areas, before fir trees can again be established.

Chemical brush control costs run as high as \$100.00 per acre in itself, which is a high price to pay for not using chemicals to control the tussock moth and save the existing forest.

This loss of our resources can be largely eliminated thru a timely treatment with the pesticide DDT, but the cry against DDT has made its use a seemingly large political risk. The impacts statement circulated by the forest service shows no compelling reason to suffer the loss of this timber and reduced income. From my perspective, we are willing to accept an unnecessary loss of timber because good risk-benefit judgments are being neglected and the benefit not properly considered.

Even the Governor of Oregon recognizes the benefits and risks, and has requested the Environmental Protection Agency for permission to use DDT to save the trees in Oregon, if the virus diseases do not provide natural control.

The expected loss, without DDT treatment in 1973 is expected to be 300 million board feet, $\frac{1}{10}$ th the export amount. It seems to me, if there is real concern about what log exports are doing to available timber and lumber prices, that saving the trees from the moths would surely help the supply picture, if not provide a cure for the increasing prices.

Consider also that at the present time, the estimate of National timber loss to other forest insects, such as bark beetles, is placed at 10 billion board feet a year: this is $3\frac{1}{2}$ times more than our annual export of logs to Japan. If our concern is limited only to export, or only to domestic use of the exported timber, the choice might be to reduce exports. However, another alternative exists, and this is to prevent or reduce the loss to insects and thereby make up for the exports. This way, we could have our cake, and eat it too, for a while at least. Another alternative is to weigh the efficiency of the present forest management techniques, and to decide if the general opposition to practices such as clear cutting are justified, when the benefits of a continuing lumber supply are accurately assessed.

There is a question of whether the export of logs to Japan really is the cause of high domestic lumber prices, or whether the increasing restrictions on harvest of Federal timber is not partially to blame. As more restrictions are placed on the harvest, some in the name of environmental protection, costs of the product must go up. Perhaps even a lack of mills to saw and finish the lumber demanded in this country, or restrictions for pollution control, may have a large influence on price of available products. Local mill operators say that changes required under the Occupational Safety and Health Act now add to the cost of finished lumber.

Regardless of the reason for high lumber prices, protecting our timber resources from unnecessary loss to Tussock Moth this year should get high priority support from everyone.

Thank you for considering this aspect of high lumber prices and resource protection.

Sincerely,

WILLIAM E. HAZELTINE, Ph.D.

OFFICE OF THE GOVERNOR,
Salem, Oreg., March 15, 1973.

Mr. JOHN R. MCGUIRE,
Chief, U.S. Forest Service,
Department of Agriculture,
Washington, D.C.

DEAR JOHN: This letter constitutes our assessment of the draft environmental statement for Douglas fir tussock moth control in Oregon and Washington. We feel that you are to be commended for the effort involved and for the analysis of the problem as it affects the National Forests in the region.

However, we feel that the data presented in the statement with regard to chemicals do not support the conclusions you have expressed. The decision not to use DDT is invalid on the basis of performance, although we suspect external influences forced the decision upon you.

There are a number of points in the statement which have not been expressed either correctly or completely. It is our position that the tussock moth infestation in northeastern Oregon affects the private landowners in the infestation zone much more adversely than is recognized in the statement. Thirty-six percent of the infestation is on private forest land. There are 347 private landowners involved, most of whom own 100 acres or less. In fact 229 of these ownerships have an average of 60 percent of their forest land infested. Almost half of the private landowners have permanent or recreational homesites on their lands; these lands ranging in value from \$500 to \$1,500 per acre. It has been estimated that land values will decrease, in most cases, 50 percent because of the mortality and defoliation of trees.

Private forest holdings provide timber for eight of the local milling facilities. When the salvage operation is completed, the surplus of logs created will disappear and available timber will decrease annually by approximately ten million board feet. This creates an economic impact that has not been considered in your statement.

A large percentage of private holdings have been under intensive timber management during the past three decades. As a result, the holdings now support immature timber which, because of age and size, is not open to salvage opportunity. With no chance for removal, the dead and dying trees create a fire hazard. This, coupled with the fact that infested holdings lie in an area that has a high hazard level due to lightning and man-caused fires, creates a very critical situation. Consequently, the assessment of fire protection costs in your statement has resulted in gross understatements where private lands are concerned.

An assessment of the impact on state and private lands in the infestation zone in northeastern Oregon is included in the attached request to Mr. Ruckelshaus.

Finally, we should like to see the final statement contain an accurate comparison between the benefits and risks each alternative presents. In this connection, it is our contention that neither salvage logging nor reforestation constitute control operations for the tussock moth. They are merely attempts to minimize loss and repair damage, and cannot be otherwise construed.

It is the intention of the State of Oregon to pursue the matter of insect control vigorously, and the attached request for emergency use of DDT is made even more urgent since our hope for infestation collapse from biological control through virus activity has not been realized.

Sincerely,

TOM MCCALL, *Governor.*

OFFICE OF THE GOVERNOR,
Salem, Oreg., March 15, 1973.

Mr. WILLIAM D. RUCKELSHAUS,
Administrator, Environmental Protection Agency,
Washington, D.C.

DEAR BILL: The State of Oregon herewith urgently requests immediate consideration by your Agency for permission to use DDT in 1973 for the purpose of reducing the impact on the forest resource in Oregon through control of the Douglas fir Tussock moth.

The following attachments are provided for your information:

Attachment A.—Outline of the Department of Forestry request for DDT.

Attachment B.—Assessment of impact on State and private lands.

Attachment C.—Letter from Edward Press, M.D., State Public Health Officer.

Attachment D.—Letter from John W. McKean, Director, State Game Commission.

I trust you will give prompt consideration to this request from the State of Oregon. We further believe that the validity of this request may well be augmented by like requests from the State of Washington and the U.S. Forest Service.

Sincerely,

TOM MCCALL, *Governor.*

[Excerpt from hearings before the Subcommittee on Public Lands of the Committee on Interior and Insular Affairs, U.S. Senate 92d Congress, 1st Session on Management Practices on The Public Lands, Apr. 5 and 6, 1971, Part 1 entitled "'Clear-Cutting' Practices on National Timberlands'"]

* * * * *

The same thing is true in Senator Church's State.

Senator ALLOTT. You referred to a burn in Senator Church's State which is still brush. Is this a Douglas-fir area?

Mr. HAGENSTEIN. No. This does have Douglas-fir in it, but some of it was Ponderosa pine or white pine. Generally the north slopes are in Douglas-fir and the tops of the ridges and the south slopes were Ponderosa pine.

Senator ALLOTT. Turning now to the State of Oregon, talking about Douglas-firs, what would you have to do in an area like that if you did get this growth, instead of a reforestation, and get a growth of brush, would you have to clear that basically to reestablish your Douglas-fir?

Mr. HAGENSTEIN. I know from many personal observations on the industrial tree farms over a long period of time in our region where people have tried partial cutting—and many people have in mature stands—when they finally

cleared the mature timber out, they had to go in there to get that land back into coniferous trees, and it cost up to \$100 an acre to get rid of the brush so that they could plant successfully.

Senator ALLOTT. Let us talk about beetles now. As you know, we have some unfortunate experiences in Colorado. And of course our timber production does not compare with the Northwest. But what other ways of clear-cutting are there to get rid of the beetle, except by forest fires?

Mr. HAGENSTEIN. You can do it by the very laborious and expensive means that you used in Colorado, in an attempt, right after the war, to overcome the Englemann spruce beetle infestation. And that is by spraying by hand individual trees with orthodichlorobenzine mixed in deisel oil at the cost of \$2 to \$4 per tree. And when you have literally millions of trees infested by the beetle you can realize, with the short period you have when the brood was active in the summer, how few of them you were able to treat. The way to really kill the beetles is to get in there when the broods are in the trees and salvage them and get them out of there.

One of the things that I think is a national disgrace is what is occurring right now in Senator McGee's State. I am sorry he is not here. I had the privilege of visiting the Yellowstone and Teton National Parks, Bridger and Shoshone National Forests in October, for the specific purpose of looking to see what was happening to the forests there because of the beetle infestation. And man, they are really cleaning them up. We are not going to have enough scenery up there or enough watershed up there in that area where watersheds are extremely important if we do not get rid of those beetles. These forests are over mature. And the beetle is there by the millions. And he is going to continue to clean out the timber. I would say that of the 10 billion feet of annual mortality in the national forests in the western United States, exclusive of Alaska, just in the 11 Western States today, that two-thirds of it is the result of bark beetle infestation. This is continuing actively everywhere most of the time.

Senator ALLOTT. And we are not coping adequately with it?

Mr. HAGENSTEIN. No, sir; we are failing to do anywhere near an adequate job in getting at it.

* * * * *

HI-RIDGE LUMBER CO.,
Yreka, Calif., April 10, 1973.

Mr. EDWARD P. KEMP,
Minority Counsel, Subcommittee on International Finance, Dirksen Senate
Office Building, Washington, D.C.

DEAR MR. KEMP: In response to a letter received from Senator Alan Cranston we submit the following statement concerning log exports:

Hi-Ridge Lumber Company has owned and operated a sawmill in Siskiyou County, California, since 1953. Our log supply has been totally dependent on National Forest timber.

Since a real shortage threatens the domestic supply of softwood timber we would like to see:

1. The elimination of the present 350 MMBF Authorization to export Federal timber
2. A Mandatory requirement to prevent substitution of purchased Federal timber for exported private timber other than Indian timber.
3. A general guiding statement of purpose for the substitution regulations.
4. An authorization to exempt from export restrictions, material that does not meet utilization standards of the U.S. timber sale contracts.
5. Federal laws and regulations that would penalize willful violators.

While we do not own any private timber we believe that except for paragraph 2 & 3 above, a landowner should be free to merchandise his timber crop without restrictions—and if by popular vote a State has deemed it best to allow unrestricted log exports from its State owned lands, then Federal law should not be used to supersede the will of the voters. We do not believe that a law now passed to curtail all log exports from Federal lands should be made retroactive to cover existing contracts entered into prior to such enactment.

Very truly yours,

GERHART BENDIX.

HUBBARD & JOHNSON LUMBER CO.,
Mountain View, Calif., March 29, 1973.

Senator ALAN CRANSTON,
Senator, State of California, Russell Senate Office Building, Washington, D.C.

DEAR SENATOR CRANSTON: In lieu of a personal appearance before your committee hearings scheduled for April 13, 1973, in San Francisco, California, the Lumber Merchants Association of Northern California, representing more than 200 retail lumber and building material dealers, desires to be placed on record as supporting the following actions to alleviate the current lumber crisis and preclude this great nation from the threat of similar crises in the future:

(a) An immediate re-evaluation and upward adjustment of the Federal Forest Service budget for Fiscal Year 1974 and beyond is essential. Only through an increase in that budget can appropriate forest management programs be provided to offer the harvest of timber from our Federal lands to relieve the immediate crisis.

(b) There are currently an estimated 2.8 billion board feet of contracted for and uncut Federal land timber inventory under control of the mills. Means must be found to accelerate the conversion of this purchased stumpage resource into needed lumber—and as soon as possible. Necessary assurances to the mills of replacement of such inventories could be provided by an immediate increase in the Federal timber harvest and its implementation by a Forest Service budget increase. Mills could thus be encouraged to produce more lumber immediately. Certainly, this strategy should be adopted before even considering the alternative of rigid, counter-productive price controls.

(c) For the years ahead, additional funds should be made available to allow full and effective forest management on an intensified basis. Particular consideration should be given to:

1. *Reforestation* of certain Federal forest lands. (It is estimated that there are currently 5 million acres of Federal lands on which timber should be replanted to meet the needs of the future.)

2. *Salvaging* to the extent possible the dead and dying timber. (More timber is lost annually to diseases and pests than is harvested on federal lands.)

3. *Accelerate access road construction* to reduce costs of maintenance and hauling, as well as provide proper conservation of the lands and timber involved.

4. *Maximize the multiple use of timber*—our major renewable natural resource.

5. *Provide assistance* to State and private landowners largely through State Forestry agencies for forest management planning and development, harvesting, and processing of forest products and for necessary research.

6. Consideration also should be given to:

a. Projecting the Forest Service budget over a 5 year period to allow advance planning and programming. Reforestation and related activities are continuing processes and monies for doing the job should be allocated well in advance.

b. Implementing the recommendations of the 1969 report of the Forest Service to the Cabinet Task Force on Lumber (now reactivated). The report outlines future lumber and wood product needs, future supply requirements, and the substantial revenues from timber sales that could be provided the U.S. Government (nearly \$400 million in 1972).

(d) Rigid economic controls of lumber products have proved to be counter-productive due to the impact of the net profit margin test on all sectors of the industry. Net profit limitations have, in effect, imposed ceilings on lumber production. Congress is urged to give careful consideration to the need of maintaining and increasing lumber production, not limiting it through rigid net profit control mechanisms.

(e) In view of the recent increase in log exports, the Department of Commerce, under the Export Control Act, should be required to reduce log exports as necessary to protect the domestic economy and construction needs. (In 1971, log exports were 1.9 billion board feet compared to 2.8 billion feet in 1972.)

Congress should consider the extension of the existing Morse Amendment to the Foreign Assistance Act of 1968 which expires in December 1973. (The Morse Amendment restricts exports from Federal lands to 250 million board feet of timber per year.) In addition Congress should:

1. Disallow the export of *any Federal timber* in the form of round logs until our domestic needs are met.

2. Enact a strong and enforceable anti-substitution provision which would make any party selling logs for export from either State or private sources, ineligible to purchase Federal timber for a period of 3 years from the last sale for export, except timber twice rejected at appraised value by at least two domestic bidders.

(f) Today, as in the past, and unquestionably in the future, *chronic freight car shortages* disrupt west-to-east lumber and wood product shipments. We recommend that Congress and the Interstate Commerce Commission take immediate steps to seek ways by which our nation can increase freight car production to meet the demands of the future, and that ICC regulations be stiffened to improve the traffic flow of cars to and from timber producing areas.

CONCLUSION

Substitute materials for wood are all drawn from non-renewable resources. On the other hand, wood fiber constantly renews itself much like an agricultural crop but on a longer life cycle.

In this era of serious energy shortages, it is significant that wood substitutes require many times as much energy to manufacture as do wood products. Broad scale conversion to substitutes would disrupt, be costly, would pollute, and further deplete irreplaceable natural resources.

We support the many efforts by the ecologists to improve and preserve our environment. However, the present demand for lumber will increase in the decades ahead. (The President's Council of Economic Advisors estimates 2.2 million housing units will be built in 1973 . . . very close to the last two record-high years.) Therefore, those who would immobilize vast tracks of timber in museum-like isolation with no aesthetic or other use permitted, are clearly contrary to the public interest. Modern forest management including planting improved species, fertilization, thinning, insect and fire control, etc., if authorized and funded, would stimulate marked additional fiber growth, preserve game cover and food, and permit recreational use by the public as well as the harvesting of mature trees otherwise destined for death and decay. Thus, as a nation we could, while serving ecological and recreational objectives, also provide needed lumber for residential and commercial use by our expanding population.

The recurring lumber supply crises will not fade away. Essential to the public interest are decisive, long-term Governmental policies and programs dedicated to the principle of more intensive multiple use of our forest resources.

Sincerely,

JAMES WEBBER, *President.*

[Telegram]

Senator ROBERT W. PACKWOOD,
Senate Office Building,
Washington, D.C.

In respect to the hearing of the subcommittee on International Finance, held in San Francisco, April 13, the California Labor Federation, AFL-CIO, representing over 1.6 million union members, strongly urges a ban on the exportation of logs. Present situation is drastically raising housing costs and causing major unemployment.

JOHN F. HENNING, *Executive Secretary-Treasurer.*

STATEMENT OF WAYNE GARDNER, EXECUTIVE VICE PRESIDENT, LUMBER ASSOCIATION OF SOUTHERN CALIFORNIA

I am Wayne Gardner, Executive Vice President, of the Lumber Association of Southern California in Los Angeles. This is a non-profit trade association with membership of almost 300 retail and wholesale lumber firms. The members are responsible for the sale of approximately 85% of all lumber sold in the ten counties of Southern California.

In 1972, 272,000 living units were constructed in California, with 162,000 of them in ten Southern counties. The population of this same area is in excess of 12 million people. The entire state has 20½ million population.

Southern California represents a major market for softwoods. The sources of supply for this market are the mills in Northern California, Oregon and

Washington. The problem of lack of supply and the correlated increasing prices have been severely felt by the retailer, the wholesaler, the contractor and the consumer of Southern California.

The entire market for construction lumber in 1972 far exceeded that of previous years. For example, during the decade of the 60's an average of 1.44 million living units were constructed annually. In 1972, 2.35 million housing units were constructed. Almost one million more units than the average for the decade of the 60's creating an unprecedented demand for softwood for the housing industry during 1972.

The last time the lumber industry experienced rapidly escalating prices was in late 1968. This was caused by an increase in the buying of logs by foreign countries. As their buying slowed, lumber prices dropped, going from a peak in the third week of March to the bottom by July 1, a period of three months. The high market level was created by an unusually high demand, drawing from a relatively inelastic supply. As the demand ceased the market dropped with such rapidity that it was economically disastrous to many.

Lumber prices are determined solely by the law of supply and demand, just as is any commodity. No one company is large enough to exert price leadership. The inflation experienced in the market place is a result of demand-pull, not cost push. As previously mentioned, the supply is relatively inelastic. The demand is both internal and external. The internal demand, our own housing market could be reduced by rationing housing or reducing building in some manner but slowing of the domestic construction industry to satisfy the wood products requirements of a foreign nation does not seem to be a reasonable solution to the problem. High housing costs, brought about by increasing costs of all building materials, as well as, labor, land costs and interest rates, has already deprived some citizens of adequate housing. These housing costs can be reduced or at least somewhat stabilized by having an adequate supply of lumber available for building.

The solution to the problem lies for the most part in halting the export of logs. This external demand on our renewable natural resource should not be allowed to continue.

The members of the Lumber Association of Southern California depend on Mills in Northern California, Oregon and Washington for their supply of lumber. The very mills which depend on the forests of the Northwest for their raw material and the same forests that are supplying the demands of the foreign buyers. The domestic market must and should be satisfied first.

Therefore, the Lumber Association of Southern California members feel very strongly about the need for legislation that will halt the export of logs from all lands and make a steady and adequate supply of reasonably priced lumber available for our own housing market.

Thank you.

COUNTY OF PLACER,
Auburn, Calif., March 22, 1973.

U.S. SENATE,
Committee on Banking, Housing and Urban Affairs,
Washington, D.C.

Attention: Edward Kemp.

Re Log Export Restrictions.

DEAR MR. KEMP: We received your letter inquiring of the County's concern on the subject of log export restrictions.

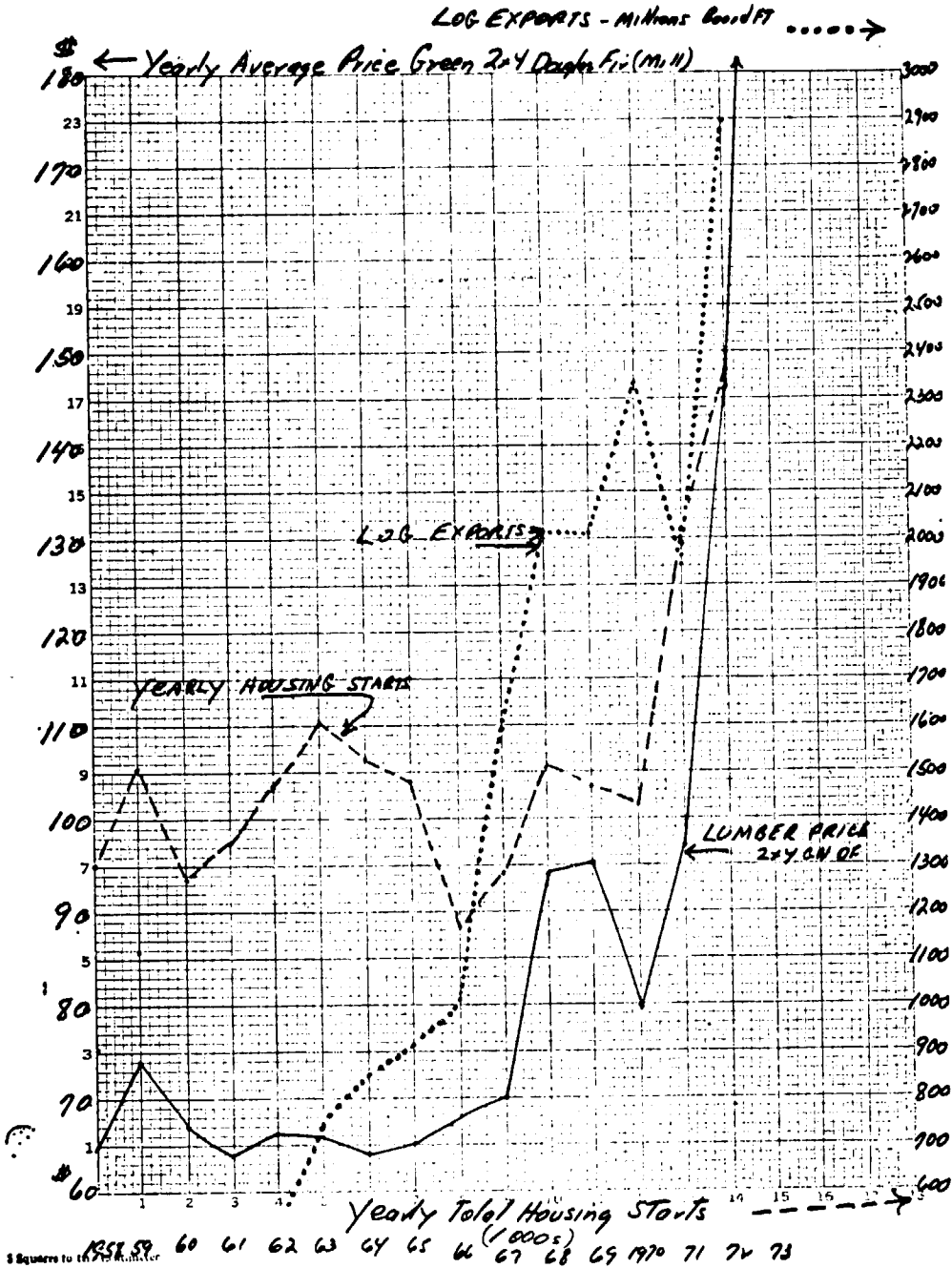
We are attaching a copy of correspondence we had recently with Pacific Gas & Electric Company and the Yuba River Lumber Company which I think indicates the County's concern about the problem. Lumbering and processing is an integral part of Placer County's economic base, and we view with the gravest concern any activity which would have a detrimental effect on the lumbering and processing operations.

As you will note, Placer County has already been identified as an economically depressed area and we certainly oppose any activity which would further depress our economy.

We will certainly be happy to furnish any additional information which you wish.

Very sincerely,

L. J. DEWALD, County Counsel.



COUNTY OF PLACER,
OFFICE OF BOARD OF SUPERVISORS,
Auburn, Calif., February 21, 1973.

RONALD REAGAN
Governor, State of California,
Sacramento, Calif.

DEAR GOVERNOR REAGAN: On Tuesday, February 20, 1973, the Placer County Board of Supervisors adopted the enclosed Resolution and requested that we forward the Resolution to you with a covering letter.

The Board of Supervisors had received information that P.G.&E. had sold approximately 95,000,000 board feet of timber to the Yuba River Lumber Company, together with a sale of land to them of approximately 17,000 acres.

The Board wishes to emphasize that it is not objecting to the sale by P.G.&E. but rather the Board expresses its serious concern with the apparent fact that all of the timber is to be exported.

The Board received a copy of Volume No. 10, No. 2 of the News Letter distributed by the Port of Sacramento World Trade Center, which notes that:

"Yuba River Lumber Company of Grass Valley has inked a five (5) year Agreement to move a minimum of 20,000,000 Board feet annually through Sacramento. The Liberian Flag Montigny loaded over 5,000 tons for shipment to Japan. Nippi International with offices in Sacramento is purchasing the timber grown above Sacramento."

If the foregoing information is correct, it would appear that all of the raw timber is being exported for processing and that none of the usual processing operations in California would occur. We are advised that that quantity of timber would keep a lumber mill in full operation for a full five (5) year period of time and provide substantial employment for our area which has already been identified as an economically depressed area. Our Board feels quite strongly that because of the present high rate of unemployment in our area the timber should be processed locally.

The Board is not, at this point, seeking any government control over the sale but we are urging strongly that the two (2) private industries which are parties to the contract should recognize the benefits to the economy by local processing.

Any support you can give to us in our efforts would be much appreciated by the Board.

For your additional information we are also enclosing a news item from the Sacramento Bee which gives additional background information.

Respectfully yours,

ROBERT P. MAHAN, *Chairman.*

BEFORE THE BOARD OF SUPERVISORS, COUNTY OF PLACER, STATE OF CALIFORNIA

In the matter of: A resolution relating to the sale of timber by PG&E to Yuba River Lumber Company.

Resol. No. 73-100.

Min. Bk: 33.

The following resolution was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held February 20, 1973, by the following vote on roll call:

Ayes: Ferreirs, Thompson, Lee, Henry & Mahan.

Noes: None.

Absent: None.

Signed and approved by me after its passage.

ROBERT P. MAHAN,
Chairman, Board of Supervisors.

WHEREAS, it has been brought to the attention of the Placer County Board of Supervisors that there is now pending a proposed sale of 95,000,000 board feet of timber from PG&E to Yuba River Lumber Company; and

WHEREAS, it has further been brought to the attention of the Board that it appears that all said timber may be exported for processing to another Country; and

WHEREAS, it appears to the satisfaction of the Board that the best interests of the Nation, State and County would best be served by making arrangements for the processing of all such timber within the United States;

NOW, THEREFORE, BE IT RESOLVED that this Board urges PG&E and Yuba River Lumber Company to incorporate within the terms and conditions of the sale provisions requiring that all such timber be processed within the United States and State of California as appropriate.

BE IT FURTHER RESOLVED that copies of this Resolution be sent to Representatives of PG&E, Yuba River Lumber Company, and our State and Federal Representatives, and to such other persons as may be appropriate.

RELLIM REDWOOD Co.,
Crescent City, Calif., April 20, 1973.

Mr. EDWARD P. KEMP,
Minority Counsel, Subcommittee on International Finance, Dirksen Senate
Office Building, Washington, D.C.

DEAR MR. KEMP: Senator Cranston has corresponded with Mr. Harold A. Miller, President of Rellim Redwood Co. extending an invitation to comment upon the matter of exporting logs from the United States.

Mr. Harold A. Miller, our president, has requested, that I reply on behalf of the company with regard to this problem.

We recognize the seriousness of the sharp rises in lumber prices and fluctuations heretofore experienced.

We doubt the effectiveness of Senate Bill S-1033 as introduced to control and curb the lumber prices. It is a stopgap measure that is only a small part of the problem facing our nation to maintain the stability in lumber resources for our nation's needs. The most pressing need is that of a program for getting our National Forest implemented upon a program that is under full management not solely for timber production but all other aspects with adequate funding which should not be manipulated politically by Congress or the Administration.

Specifically, the National Forest budget must be adequate to insure restocking; the present programs are grossly inadequate and lacking.

The recreational aspect must consider uses for all people and not set aside for a select few, namely, the members of arch-preservation groups.

The environmentalists' demands are such that in the current trend a large percentage of National Forest will be locked up. This must stop!

The growth potential obtainable per acre must be improved. The private sector of forest management obtains yields three and fourfold that of the National Forest. The National Forest must improve their growth potential to reach the yields of private forest management.

The National Forest timber sales program has been reduced drastically below the allowable cutting. This has been in evidence for several years because of budget cuts, environmental pressures in Congress and the courts. This reduction alone, over a three year period, would have alleviated a greater part of the problem we are faced with today—that of high lumber prices.

The fact that our National Forest has 5,000,000 acres requiring reforestation; some 13,000,000 acres needing stand improvement; an estimated 6 billion board feet of timber being killed each year by bugs, fire and disease and left to rot and decay in the woods and millions of acres infested with bugs and yet refusing to administer DDT (the only known control)—where should our emphasis be? On curtailing log exports or implementing a full program for our National Forest?

We agree and support the "no substitution rule" where by individuals and companies purchase forest service timber and then export their own timber from their private lands.

We oppose any regulations or ban that prohibits the exporting of logs from that of privately held lands only.

Thank you for the courtesies extended permitting us to present our position upon this extremely critical problem.

Yours very truly,

DARRELL H. SCHROEDER,
Vice President.

STATEMENT OF MELVIN SHORE, DIRECTOR, PORT OF SACRAMENTO

The referenced bill would impose restrictions upon the export of timber originating on Federal or non-Federal lands, such restrictions becoming increasingly severe until commencing January 1, 1977 there would effectively be a total embargo upon the export of timber.

A CONGRESSIONAL FINDING?

Section 202 of the bill constitutes a finding by Congress that the "substantial increase in recent years in the rate of export to foreign countries of coniferous timber is creating a severe domestic shortage of softwood lumber and plywood; . . .". If such a finding is to be made, I know that the Congress and the

Committee will want to base it upon the facts of the situation. At the very least, I would submit that the facts are hard to come by in the midst of the emotional uproar that has surrounded this subject in recent weeks. It is my understanding from the press that the Committee has been furnished with much conflicting testimony. I submit that the facts to support a finding such as that set forth in Section 202 should be absolute and incontrovertible. It follows too that the purposes of the bill should stem from such a finding.

VOLUMES BEING EXPORTED

Much comment has been generated about the volume of logs that have been exported, particularly to Japan. The absolute figures while interesting are probably less meaningful than the percentage of the total cut. Information from the Construction and Forest Products Division of the U.S. Department of Commerce indicates the following volumes (in millions of board feet) of logs exported:

	Volume	Percent of log harvest
1967.....	1, 874	5. 3
1968.....	2, 473	6. 4
1969.....	2, 316	6. 2
1970.....	2, 683	7. 1
1971.....	2, 233	5. 5
1972 (estimated).....	3, 048	6. 9

Thus several factors become clear. The volume, although it has grown some, has not jumped outrageously. Even more important, the percentage of our harvest that has been exported has not only decreased slightly but has remained at a basically negligible level. It would seem that the above figures alone would serve to preclude a finding by Congress as suggested in Section 202.

AFFECTS UPON LOCAL SITUATIONS

The proposed findings purport to be based upon impairment of the stability of many communities that are economically and socially dependent upon the processing of coniferous timber. It is my understanding from the press that 82% of the logs exported in 1972 came from the State of Washington. It seems not only odd but significant that the congressional representatives of that State did not lend their names to S 1033. Apparently they do not feel that the communities in Washington are adversely affected by the export. It is also significant that the people of Washington voted down an attempt to restrict the export of logs at a statewide election in the recent past.

Every evidence available to this writer is that the communities involved in processing coniferous timber are more active than they have ever been. With the price of lumber at an all time high, the mills are not losing the opportunity to capitalize on the situation. Since this appears to be a feast or famine industry they would be working with all deliberate speed.

INDUSTRIAL CAPACITY

Volumes already referred to above make it clear that by no stretch of the imagination could Congress be expected to make a finding that the export of logs has or will impair the industrial capacity of the United States to produce wood products. If anything, the evidence is that the problem of high lumber prices is caused by the lack of adequate sawmill capacity to meet the sudden and inordinate demand. The sawmill industry has never been structured to handle such a demand and could only gear for it over an extended period and then only if the demand continued.

DUMPING

Section 204(b) (ii) (B) appears to this writer to fly in the face of all efforts to maintain a satisfactory international trade position for this country. If it is being properly interpreted, it means that the foreigners can have anything we can't possibly use. Such an arrangement in reverse on some commodities we

particularly want or need from overseas would bring all sorts of dire consequences for the perpetrators of such horrible deeds. Can we expect any less reaction from our trading partners to our prohibition against all but the right to dump what we don't want?

EMPLOYMENT

While the bill purports to concern itself with problems of unemployment created by timber exports, in reality what it does is create unemployment in another area. In 1970 the export of logs through the Port of Sacramento reached its peak at 74,000 MBF. At the present time the Port holds contracts for the movement of 30,000 MBF per year. Even with the other logs moving from this area, the total volume in 1973 is expected to be below the 1970 level.

Assessing the employment opportunities created by the export of logs must take into account the men in the woods, the truckers, scalers, log handlers, longshoremen, record clerks, data processing personnel and the many ancillary services. It is estimated that even with the nominal volume moving through the Port of Sacramento this year, the equivalent of 40 full time jobs will be provided to longshoremen alone. Obviously the job opportunities for these Americans and the others involved deserve equal consideration with those of the other wage earners with which the bill purports to concern itself.

INTERNATIONAL TRADE

Much could be said about the need to maintain and work for the freest possible trade opportunity throughout the world. It is pointless to burden the record with such comments since they will be made by others. However, this writers hastens to adopt and underscore such viewpoints. As we continue to attempt to improve our balance of payments, we can approach our goal more rapidly and realistically by insisting that our trading partners remove their trade impediments, not be erecting our own. Restrictions to foreign trade such as S 1033 make it clear that some would seek out a position of special privilege for themselves to the long range detriment of our country. We need fewer impediments and Congress should be working in that direction.

SINGER HOUSING Co.,
San Leandro, Calif., April 12, 1973.

Senator ALAN CRANSTON,
U.S. Senate,
San Francisco, Calif.

DEAR SENATOR CRANSTON: Attached is a study of increased costs of lumber and shakes over the last year on one of our typical medium-cost houses. The study is rather detailed and lengthy. The most significant aspect of it is that lumber for this house in the last 52 weeks has increased 55 percent; cedar shakes, 59 percent—amounting to some \$1,535.00 mill price. Similar percentage cost increases for plywood, doors, shelving, etc. raise the total wood product cost increase to nearly \$2,000.00. This is a minimum increased cost that we must pass on to the homebuyer; and, unfortunately, an increase in cost of this magnitude eliminates a significant proportion of potential homebuyers needing or desiring moderate housing because they cannot qualify from an income standpoint.

The same percentage increases have occurred on our lower cost housing with the net result all the more traumatic. The buyer of modest means has been virtually squeezed out of the entire new home market. Naturally, the secondary result of increased sales prices of new homes is that older homes tend to increase in value in proportion to the cost of new housing; thus, the vicious circle is completed. People of minimum or modest incomes are finding it nearly impossible to buy new or used housing.

It seems to me that the recent escalation cost of lumber and shakes is intolerable and unjustified from any standpoint by the lumber industry. No other commodities sold in this country have been able to escalate their prices by percentages anywhere near 55 percent or 59 percent. The homebuilding industry has no means of combating these flagrantly escalating prices.

Cyclical costs in the lumber industry are now new due to the basic nature of the industry. However, more recently, and certainly at the present time, it appears that the two major factors creating the upward costs of lumber are the shortage of, and the prices being paid for stumpage, and the quantity of logs being exported to the Japanese. These two items must be moderated.

An increase of \$2,000.00 in lumber costs passed on to the homebuyer at cost, at present interest rates, means the buyer of the house will pay on his mortgage payment an additional \$10.66 a month for 360 months, or \$3,837.60. This is an inexcusable sum of money for one homebuying, taxpaying citizen to contribute to the balance of payments or to subsidize the inability or lack of desire on the part of the lumbering industry to police and control their own operations.

I do hope that the enclosed information is of some benefit to you. If you have any questions, please feel free to contact me at any time.

Sincerely,

JOHN BROOKS, *President.*

SINGER HOUSING Co.,
San Leandro, Calif., April 12, 1973.

To: John Brooks.

From: Art Morris.

Subject: Review of lumber and shake costs and price fluctuations—January 1967 to April 6, 1973.

All of the figures included in the various studies enclosed are taken from *Random Lengths*, a publication widely accepted in the homebuilding, construction and lumber industries as a valuable guide and barometer of the costs and price trends of all lumber commodities. These figures are valid for our use in that, as you know, we purchase our lumber and cedar shakes based on *Random Lengths'* mill costs plus a dollar factor fee to our supplier for purchasing, cutting, packaging and delivering. Therefore, the change in mill price also becomes the change in our costs. More significant in these various studies is, as we would expect, the price of lumber from month to month and from year to year is erratic, essentially unpredictable and, from the builder's standpoint, uncontrollable.

Attached is a chart reflecting on a monthly basis mill price for lumber from January, 1967 to April 6, 1973. This chart also indicates yearly averages of mill price lumber for each year from 1967 through 1972.

Also attached, in detail, based on mill price, is the weekly cost change in lumber from January, 1972 to April 6, 1973 for our S06 Plan, a four-bedroom, two-bath home.

Attached is a weekly cost mill price of medium cedar shakes from January, 1972 to April 6, 1973 for our S06 Plan.

Attached is a study reflecting mill price lumber for the S06 Plan from January, 1967 to April, 1973, indicating costs of the lumber for this house at mill price, high, low and average costs for the individual years.

Specifically, the cost of lumber mill price for the S06 Plan on April 7, 1972 was \$2,012.52. As of this Monday, April 6, 1973, the lumber price mill cost is \$3,114.57, an upward increase of \$1,002.05, or 55% in one year. It is noteworthy that the increased cost for this house since Phase 3 price controls were placed in effect in early January of this year is \$720.00, or an increase of 30%.

A cursory review of the study on the shake prices indicates that the price of shakes has gone up some \$435.00, or 59% during the past year. A combined increase in dollars for lumber and shakes for the last year is \$1,537.05. This cost increase in lumber and shakes constitutes nearly a 15% increase to the total house cost in one year.

The average cost mill price for lumber during the month of April for the years 1967 to 1972 averages \$89.24.

This week lumber at mill is \$167.45, or 114% higher than the average April cost of the six previous years, and 55% higher than April of 1972.

The final figure of interest, or dismay, is that the current mill price of lumber is 169% higher than April of 1967 which constitutes an average annual increase of 24% over the past seven years.

Finally, it should be noted to those who might say the percentage increases as shown here from last year to this year are staggering, but that we are measuring a very low period to a very high period—this is not so. If one refers to the monthly lumber mill price chart, he will see that the month of April, 1972, with lumber at \$108.20 was, with the exception of February, March and April, 1969, and August and September of 1971, the highest price then to date since January, 1967. Therefore, the increased cost that we speak of this year over last year are simply all-time high cost increases over nearly former all-time high costs.

RANDOM LENGTHS

WEEKLY LUMBER PRICE GUIDE

April 6, 1973

FRAMING LUMBER

Prices Set by Mill Industry - Unchecked

RANDOM LENGTHS 8/20' AND STUDS

GREEN

Std. & Btr.	Douglas Fir 1	PORTLAND	SEABOARD	RODING	TEXAS	Fir & Larch	White Spruce 2	Western Cedar
2x4	\$185	\$193	\$200	\$195	\$200	\$187	\$192	\$170 1
#2 & Btr.								
2x6	162	192	195	195	200	185	188	195
2x8	186	195	200	200	200	182	196	--
2x10	200	197	200	205	200	203	200	--
2x12	205	200	200	205	200	205	204	--
Utility								
2x4	\$133	\$133	\$135	\$135	--	\$135	--	\$138
2x6	123	124	126	125	--	126	--	115
2x8	108	112	112	115	--	116	--	--
2x10	114	116	115	110	--	116	--	--
2x12	114	116	115	110	--	116	--	--

Studs - 10/15% Utility & Btr.

2x4-8 P.E.T.	\$148	\$162 *	--	--	\$157	\$147	--	\$162
--------------	-------	---------	----	----	-------	-------	----	-------

1-B.C. Prices include eastern shipments from either Coast rail points. Port and, etc., that may apply for western markets. 2-Prices delivered Ontario rate. Canadian funds subject to 5% discount. 3-Allow 10/15% Utility 10% 4-and 16' 4-Std & Btr. 4-Std & Btr. White Fir: \$160 Redwood: \$166

KILN DRIED

Std. & Btr.	Douglas Fir	Fir & Larch	White Spruce 1	Hem-Fir Coast	Hem-Fir Island	Western Pines 2	Southern Yellow Pine East 3	West 3
2x4	\$207 (205)	\$206 (204)	\$215 (213)	192 (190)	\$195 (193)	\$181	\$182	\$182
#2 & Btr.								
2x6	206 (204)	204 (202)	213 (211)	172 (190)	195 (193)	172	172	173
2x8	195 (193)	195 (193)	209 (207)	191 (189)	190 (188)	172	166	163
2x10	215 (213)	215 (213)	218 (217)	201 (199)	192 (190)	170	190	190
2x12	214 (212)	214 (212)	218 (217)	208 (206)	180 (178)	--	195	195
Utility								
2x4	\$146 (144)	\$144 (142)	\$149 (148)	\$142 (140)	\$154 (152)	--	\$132	\$130
#3								
2x6	130 (128)	128 (126)	176 (176)	127 (125)	142 (140)	--	130	128
2x8	123 (121)	118 (116)	175 (173)	123 (121)	134 (132)	--	127	125
2x10	130 (128)	126 (124)	183 (180)	126 (126)	133 (136)	--	148	150
2x12	124 (122)	121 (119)	183 (180)	123 (121)	134 (132)	--	145	148

Studs - 10/15% Utility & Btr.

2x4-8 P.E.T.	\$167	\$166	\$191 net	\$164	\$169	\$157	\$160 *	\$163 *
--------------	-------	-------	-----------	-------	-------	-------	---------	---------

1-Prices delivered to official territory subject to 5% discount. 2-Includes Lodgepole Pine, Ponderosa Pine, and Sugar Pine. 3-Indicates mill location East or West of Mississippi-Alabama line; prices subject to 5% discount except in Georgia and northern Alabama where prices are quoted net. 4-Std & Btr.

STRUCTURAL LIGHT FRAMING 8/10/20'

#1 & Btr. Douglas Fir, 17000		#1 & Btr. Fir & Larch, 17000		Joint Board Hem-Fir (Coast)		Southern Yellow Pine 1	
Green	Kiln Dried	Green	Kiln Dried	Select Structural 16000	1 & Btr. 16000	#1 & Btr. 18000	#2 & Btr. 15000
2x4	\$220	\$230	\$215	\$230	\$215	\$195	\$183

1-Subject to 5% discount

Lumber & timber report ▼ price guide ▲

RANDOM LENGTH STUDS

WEEKLY LUMBER PRICE GUIDE

April 7, 1972

FRAMING LUMBER

Prices Net F.o.b. Mill unless otherwise noted.

RANDOM LENGTHS 8/20' AND STUDS

GREEN

Std. & Btr.	Douglas Fir ¹ BRITISH COLUMBIA	PORTLAND	MEDFORD	REDDING	FURBER	Fir & Larch	White Spruce ²	Western Cedar
2x4	\$114	\$118	\$120	\$128	\$123	\$117	\$135	\$112 ³
#2 & Btr.								
2x6	107	117	121	128	123	113	128	127
2x8	115	119	122	129	124	121	142	--
2x10	122	124	128	134	130	125	143	--
2x12	122	122	125	131	127	124	144	--
Utility								
2x4	\$ 87	\$ 90	\$ 94	\$ 91	--	\$ 87	--	\$ 88
#3								
2x6	75	78	83	83	--	76	--	59
2x8	68	71	74	78	--	65	--	--
2x10	65	67	72	75	--	65	--	--
2x12	64	66	71	75	--	65	--	--

Studs — 10/15% Utility & Btr.

2x4—8' PET	\$100	\$114 ⁴	--	--	\$119 ^{4,5}	\$ 99	--	\$114
------------	-------	--------------------	----	----	----------------------	-------	----	-------

¹—B. C. Prices include eastern shipments from other Coast rate points. ²—Portland, etc., flat car loadings for western markets. ³—Prices delivered Ontario (see Canadian funds); subject to 5% discount. ⁴—Allows 10/15% Utility, 40%, F and/or 10'. ⁵—Std. & Btr. White Fir — \$112 Redwood — \$114

KILN DRIED

Std. & Btr.	Douglas Fir	Fir & Larch	White Spruce ¹	Hem-Fir COAST	Hem-Fir INLAND	Western Pines ²	Southern Yellow Pine EAST ³	WEST ³
2x4	\$129 (127)	\$129 (127)	\$154 (152)	\$118 (116)	\$122 (120)	\$113	\$152	\$150
#2 & Btr.								
2x6	128 (125)	127 (125)	147 (145)	116 (114)	120 (118)	110	138	136
2x8	132 (130)	132 (130)	154 (151)	125 (123)	126 (124)	114	139	138
2x10	140 (138)	139 (137)	158 (156)	129 (127)	127 (125)	115	160	158
2x12	140 (138)	139 (137)	160 (158)	130 (128)	122 (120)	--	160	158
Utility								
2x4	\$103 (101)	\$103 (101)	\$136 (134)	\$ 93 (91)	\$ 99 (97)	--	\$108	\$105
#3								
2x6	85 (87)	86 (84)	117 (114)	82 (80)	83 (81)	--	100	102
2x8	82 (80)	79 (77)	117 (114)	77 (75)	79 (77)	--	99	101
2x10	82 (80)	79 (77)	120 (117)	79 (77)	80 (78)	--	120	122
2x12	82 (80)	79 (77)	120 (118)	77 (75)	78 (76)	--	120	120

Studs — 10/15% Utility & Btr.

2x4—8' PET	\$114	\$113	\$146 net	\$113	\$116	\$112	\$134 ⁴	\$133 ⁴
------------	-------	-------	-----------	-------	-------	-------	--------------------	--------------------

¹—Prices delivered to official territory, subject to 5% discount. ²—Includes Lodgepole Pine, Ponderosa Pine, and Sugar Pine. ³—Indicates mill location East or West of Mississippi-Alabama line; prices subject to 5% discount except in Georgia and northern Alabama where prices are quoted net. ⁴—Std. & Btr.

STRUCTURAL LIGHT FRAMING RL 10/20'

#1 & Btr. Douglas Fir, 1750F			#1 & Btr. Fir & Larch, 1750F		Kiln Dried Hem-Fir (Coast)		Southern Yellow Pine ¹	
Green	Kiln Dried		Green	Kiln Dried	Select Structural, 1650F 1 & Btr. 1400F		#1 & Btr. 1850F	#2 & Btr. 1500F
2x4	\$132	\$143	\$131	\$143	\$140	\$129	\$160	\$152

¹—Subject to 5% discount.

lumber market report ▽ price guide ▲

12 RANDOM LENGTHS

April 7, 1972

WEEKLY PLYWOOD PRICE GUIDE

SANDDED PLYWOOD

	List*	INTERIOR				EXTERIOR			
		AD	BD	AB	AA	AC	BC	AB	AA
1/4" 1000	\$102	\$102	\$ 99	\$137	\$152	\$112	\$109	\$147	\$162
1/4" 1150	100	138	133	172	188	152	149	187	202
1/4" 1300	98	170	165	205	220	188	183	223	238
1/4" 1450	98	190	185	225	240	212	207	247	262
1/4" 1600	98	217	212	252	267	238	233	273	288

*Average Customer Specifications

Mill specifications frequently available at one or two lists lower, mostly on 5-ply exterior.

CONCRETE FORM

Class I Western	
1/4" 1000	\$230
1/4" 1150	265
Class I Southern	
1/4" 1000	\$180
1/4" 1150	220

SHEATHING

	GROUP I						UNGRADED	
	Span Index	Standard Interior	Standard — Exterior Glue Southern		CC Exterior	CD Structural I	Interior	Exterior
5/16" 1000	20/0	\$ 73	\$ 78		\$ 80	\$ 87	\$ 86	\$ 65
5/16" 1150	24/0	85	85		83	92	91	75
5/16" (4 or 5-ply)	32/16	104	108		104	120	120	92
5/16" (5-ply)	32/16	103	104		100	—	—	94
3/8" 1000	42/20	120	130		124	142	141	110
3/8" 1150	48/24	144	160		143	170	169	130

FIR VENEER

	1/16" 100	1/8" 125	1/6" 144	3/16" 200
CD 8" — 54"	\$16.75	\$19.50	\$24.50	\$30.00
— 27"	14.75	17.50	23.50	28.00
— RW	10.75	13.50	19.50	24.00
— F/T	9.75	12.50	18.50	23.00
— Regular 30%	13.50	16.50	22.50	27.00

	1/16" 100	1/8" 125	1/6" 144	3/16" 200
AB — 54"	\$30.00	\$34.00	—	—
— 27"	28.00*	32.00	—	—
Utility — 27"	11.00	14.00	\$18.50	\$22.00
— RW	8.00	11.00	15.50	19.00
CD — 4 Core	—	—	20.00	24.00

*Straight loads \$1-2 less.

SPECIAL SERVICE CHARGES

(Minimum 5000 board feet order and some materials, using standard manufacturing)

Add for:		V Grooving	\$10.00
Plugging and Touch Sanding	\$10.00*	6 and 12 lengths	10.00
Oiling and Edge Sealing	5.00	9 and 18 lengths, Interior	14.00
Bevel Sealing	8.00	9 and 18 lengths, Exterior	20.00
Underlayment, C X Band	25.00*	Thick Finish each 1/16" Exterior	15.00
Underlayment, Solid X Band	30.00*	Thick Finish each 1/16" Exterior	20.00
Shiplap, 2 edges	8.00	Deduct for:	
Shiplap, 4 edges	15.00	AB Grade from AB	\$ 5.00
Tongue and Grooving — 2 long edges	8.00	11-32 Thickness	5.00
Tongue and Grooving — 4 edges	15.00		

*For Southern Pine charges, check individual mills.

PARTICLEBOARD

	10-ply Interior Underlayment:	
	Western	Southern
1/4"	\$52	—
3/8"	52	\$41
1/2"	54	42
3/4"	56	38

Prices for plywood and particleboard are f.o.b. mill, subject to wholesale discounts of 5% and 3%. For sheathing, slightly higher prices are applicable to assemblers of several items or when combined with sanded. Under Standard-Exterior Glue, prices listed in the column headed "Southern" are adjusted to provide a comparison with West Coast mill prices; approximate delivered costs can be calculated by adding freight on the Coast rate to destination. Veneer prices are net and assume slight variations higher or lower due to manufacturing location, freight costs and quality.

Subscription rates: One year, \$65, three months, \$18.50
 Editorial Offices: 195 East 12th Avenue, Eugene, Oregon
 Mailing Address: P. O. Box 867, Eugene, Oregon 97401
 Telephone: Area Code 503, MZ 5451

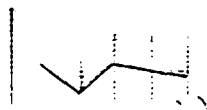
Copyright © 1972, Random Lengths Publications, Inc.
 Reproduction in whole or in part not permitted without written permission

RANDOM LENGTHS

Lester E. Anderson, publisher

William Dean, editor

12 RANDOM LENGTHS



WEEKLY PLYWOOD PRICE GUIDE

April 6, 1973

SANDED PLYWOOD

Size	INTERIOR				EXTERIOR			
	AD	BD	AB	AA	AC	BC	AB	AA
1/4" 100#	\$170	\$170	\$167	\$205	\$220	\$180	\$177	\$215
3/8" 115#	168	274	271	309	324	288	285	323
1/2" 125#	166	306	301	341	356	324	319	359
5/8" 125#	166	326	321	361	376	348	343	383
3/4" 125#	166	387	382	422	437	408	403	443

*Average Customer Specifications

CONCRETE FORM

Class I Western	
3/4" 125#	\$380
1" 125#	460
Class I Southern	
3/4" 125#	\$305
1" 125#	355

SHEATHING

GROUP I

Size	Span Index	Standard Interior		Standard - Exterior Glue Southern		CC Exterior	CD Structural I	UNGRADED	
		Interior	Exterior	Interior	Exterior			Interior	Exterior
5/16" 99#	20/0	\$135	\$145	\$115	\$165	\$162		120	\$132
3/8" 115#	24/0	145	150*	118	170	167		125	138
1/2" 125# (4 or 5-ply)	32/16	160	180*	155	210	208		140	152
5/8" 125# (5-ply)	32/16	160	175	150	--	--		135	145
3/4" 125#	42/20	195	230*	190	248	245		165	205
1" 125#	48/24	235	290	210	300	295		195	245

*Note Plywood Market Report (Page 11) on these items.

FIR VENEER

	1/16" 100	1/8" 125	1/6" 144	5/16" 200
CD 8" - 54"	\$24.00	\$30.00	\$34.50	\$41.00
— 27"	21.00	25.00	32.50	39.00
— RW	16.00	20.50	28.50	35.00
— F/T	15.00	19.50	27.50	34.00
— Regular 30"	19.00	23.50	31.50	38.00

	1/16" 100	1/8" 125	1/6" 144	5/16" 200
AB - 54"	\$41.00	\$50.00	--	--
— 27"	39.00	48.00	--	--
Utility - 27"	14.00	19.00	\$23.25	\$28.50
— RW	11.00	16.00	20.25	25.00
CD - 4" Core	--	--	27.00	33.00

*Pine - \$29.50.

SPECIAL SERVICE CHARGES

(Fees from charge table will vary seasonally using individual manufacturers)

Add for:		Veneering	
Planing and Touch Sanding	\$20.00*	6' and 7' lengths	\$10.00
Oiling and Edge Sealing	5.00	8' and 10' lengths, Interior	14.00
Recess Sealing	8.00	8' and 10' lengths, Exterior	20.00
Underlayment, C. X. Bond	25.00*	Thick Panels, each 1/16" Interior	15.00
Underlayment, Solid X Bond	30.00*	Thick Panels, each 1/16" Exterior	20.00
Shiplap 3 edges	8.00	Deduct for:	
Shiplap 4 edges	15.00	BB Grade from AB	\$ 5.00
Longue and Grooving - 2 long edges	8.00	11/12 Thickness	5.00
Longue and Grooving - 4 edges	15.00		

*For Southern Pine charges, check individual mills.

PARTICLEBOARD

Size	40# Interior Underlayment	
	Western	Southern
1/4"	\$66	--
3/8"	66	\$57
1/2"	69	58
3/4"	72	56

Prices for plywood and particleboard are f.o.b. mill, subject to wholesale discounts of 5% and 3%. For sheathing, slightly higher prices are applicable to assemblers of several items or when combined with sanded. Under Standard Exterior Glue, prices listed in the column headed "Southern" are adjusted to provide a comparison with West Coast mill prices; approximate delivered cost can be calculated by adding freight on the Coast rate to destination. Veneer prices are net and assume slight variations higher or lower due to manufacturing locations, freight costs and quality.

Subscription rates: One year, \$65; three months, \$18.50.
Editorial Offices: 155 East 12th Avenue, Eugene, Oregon
Mailing Address: P.O. Box 867, Eugene, Oregon 97401
Telephone: Area Code 503, 686-9925

Copyright © 1973, Random Lengths Publications, Inc.
Reproduction in whole or in part not permitted without written permission.

RANDOM LENGTHS

Lester E. Anderson, publisher William Dean, editor

DATE	COST	806 PLAN 307 HOUSE COST MILL	HOUSE COST CHANGE TO PREVIOUS WEEK	HOUSE COST CHANGE YEAR TO DATE
1/7/72	22.00	660.00	----	----
1/14/72	22.00	660.00	----	----
1/21/72	22.00	660.00	----	----
1/28/72	22.25	667.50	7.50	7.50
2/4/72	22.50	675.00	7.50	15.00
2/11/72	23.00	690.00	15.00	30.00
2/18/72	23.25	697.50	7.50	37.50
2/25/72	23.50	705.00	7.50	45.00
3/3/72	24.00	720.00	15.00	60.00
3/10/72	24.00	720.00	----	60.00
3/17/72	24.50	735.00	15.00	75.00
3/24/72	24.50	735.00	----	75.00
3/31/72	24.50	735.00	----	75.00
4/7/72	24.50	735.00	----	75.00
4/14/72	24.50	735.00	----	75.00
4/21/72	24.00	720.00	(15.00)	60.00
4/28/72	24.00	720.00	----	60.00
5/5/72	23.75	712.50	(7.50)	52.50
5/12/72	23.50	705.00	(7.50)	45.00
5/19/72	23.50	705.00	----	45.00
5/26/72	23.50	705.00	----	45.00
6/2/72	23.50	705.00	----	45.00
6/7/72	24.00	720.00	15.00	60.00
6/15/72	24.50	735.00	15.00	75.00
6/23/72	24.75	742.50	7.50	82.50
6/30/72	25.50	765.00	22.50	105.00
7/7/72	26.00	780.00	15.00	120.00
7/14/72	26.50	795.00	15.00	135.00
7/21/72	27.25	817.50	22.50	157.50
7/28/72	27.75	832.50	15.00	172.50
8/4/72	28.00	840.00	7.50	180.00
8/18/72	28.25	847.50	7.50	187.50
8/25/72	28.50	855.00	7.50	195.00
9/1/72	30.00	900.00	45.00	240.00
9/8/72	30.25	907.50	7.50	247.50
9/15/72	30.50	915.00	7.50	255.00
9/22/72	31.00	930.00	15.00	270.00
9/29/72	31.50	945.00	15.00	285.00
10/6/72	32.25	967.50	22.50	307.50
10/13/72	33.00	990.00	22.50	330.00
10/20/72	33.50	1005.00	15.00	345.00
10/27/72	34.50	1035.00	30.00	375.00
11/4/72	35.00	1050.00	15.00	390.00
11/11/72	35.50	1065.00	15.00	405.00
11/17/72	36.00	1080.00	15.00	420.00
11/24/72	36.50	1095.00	15.00	435.00
12/1/72	36.50	1095.00	----	435.00
12/8/72	36.50	1095.00	----	435.00
12/15/72	36.50	1095.00	----	435.00
12/21/72	36.50	1095.00	----	435.00
12/29/72	36.50	1095.00	----	435.00
1/5/73	36.50	1095.00	----	435.00
1/12/73	37.00	1110.00	15.00	450.00
1/19/73	37.25	1117.50	7.50	457.50
1/26/73	37.50	1125.00	7.50	465.00
2/3/73	37.50	1125.00	----	465.00
2/9/73	38.00	1140.00	15.00	480.00
2/16/73	38.00	1140.00	----	480.00
2/23/73	38.00	1140.00	----	480.00
3/2/73	38.50	1155.00	15.00	495.00
3/9/73	38.75	1162.50	7.50	502.50
3/16/73	39.00	1170.00	7.50	510.00
3/23/73	39.00	1170.00	----	510.00
3/30/73	39.00	1170.00	----	510.00
4/6/73	39.00	1170.00	----	510.00

DATE	BUREKA 2 x 4 DF STD BTR 45%	REDDING 2 x 4 UTILITY 45%	BUREKA 2 x 4 STUDS 10%	HOUSE AVERAGE	806 PLAN 18,600 ⁰⁰ HO SE-COST MILL PRICE	HOUSE COST CHANGE TO PREVIOUS WEEK	HOUSE COST CHANGE YEAR TO DATE
1/7/72	119.00	80.00	113.00	100.85	1875.81	-----	-----
1/14/72	119.30	80.00	113.00	100.85	1875.81	-----	-----
1/21/72	120.00	80.00	113.00	101.30	1884.18	8.37	8.37
1/28/72	123.00	82.00	114.00	103.65	1927.89	43.71	52.04
2/4/72	125.00	85.00	116.00	106.10	1973.46	45.57	97.65
2/11/72	126.00	92.00	120.00	110.00	2047.86	74.40	172.05
2/18/72	125.00	90.00	120.00	108.75	2022.75	(25.11)	146.94
2/25/72	122.00	90.00	118.00	107.20	1993.92	(28.83)	118.11
3/3/72	122.00	90.00	117.00	107.10	1992.06	(1.86)	116.25
3/10/72	123.00	92.00	117.00	108.45	2017.17	25.11	141.36
3/17/72	124.00	92.00	118.00	109.00	2027.40	10.23	151.59
3/24/72	124.00	91.00	118.00	108.55	2019.03	(8.37)	143.22
3/31/72	124.00	91.00	119.00	108.65	2020.89	1.86	145.08
4/7/72	123.00	91.00	119.00	108.20	2012.52	(8.37)	136.71
4/14/72	123.00	91.00	119.00	108.20	2012.52	-----	136.71
4/21/72	123.00	91.00	119.00	108.20	2012.52	-----	136.71
4/28/72	124.00	92.00	119.00	109.10	2029.26	16.74	153.45
5/5/72	124.00	94.00	118.00	109.90	2044.14	14.88	168.33
5/12/72	124.00	97.00	118.00	111.25	2069.25	25.11	193.44
5/19/72	124.00	97.00	119.00	111.35	2071.11	1.86	195.30
5/26/72	124.00	97.00	119.00	111.35	2071.11	-----	195.30
6/2/72	123.00	97.00	119.00	110.90	2062.74	(8.37)	186.93
6/9/72	125.00	97.00	120.00	111.90	2081.34	18.60	205.53
6/16/72	126.00	98.00	120.00	112.80	2098.08	16.74	222.27
6/23/72	126.00	100.00	121.00	113.80	2116.98	18.60	240.87
6/30/72	127.00	103.00	122.00	115.70	2152.02	35.34	276.21
7/7/72	128.00	105.00	122.00	117.05	2177.13	25.11	301.32
7/14/72*	130.00	105.00	123.00	118.05	2195.73	18.60	319.90
7/21/72	130.00	105.00	127.00	118.45	2203.17	7.44	327.36
7/28/72	130.00	105.00	127.00	118.45	2203.17	-----	327.36
8/4/72	130.00	105.00	127.00	118.45	2203.17	-----	327.36
8/11/72	130.00	108.00	130.00	120.10	2233.86	30.69	358.05
8/18/72	131.00	108.00	132.00	120.75	2245.95	12.09	370.14
8/25/72	133.00	110.00	134.00	122.75	2283.15	37.20	407.34
9/1/72	134.00	110.00	135.00	123.30	2293.38	10.23	417.57
9/8/72	135.00	110.00	135.00	123.75	2301.75	8.37	425.94
9/15/72	137.00	110.00	135.00	124.65	2318.49	16.74	442.68
9/22/72	137.00	110.00	135.00	124.65	2318.49	-----	442.68
9/29/72	139.00	112.00	135.00	126.45	2351.97	33.48	476.16
10/6/72	142.00	112.00	135.00	127.80	2377.08	25.11	501.27
10/13/72	144.00	112.00	135.00	128.70	2393.82	16.74	518.01
10/20/72	144.00	112.00	135.00	128.70	2393.82	-----	518.01
10/27/72	144.00	112.00	135.00	128.70	2393.82	-----	518.01
11/3/72	144.00	112.00	135.00	128.70	2393.82	-----	518.01
11/10/72	144.00	112.00	135.00	128.70	2393.82	-----	518.01
11/17/72	144.00	112.00	135.00	128.70	2393.82	-----	518.01
11/24/72	144.00	112.00	135.00	128.70	2393.82	-----	518.01
12/1/72	144.00	112.00	135.00	128.70	2393.82	-----	518.01
12/8/72	144.00	112.00	135.00	128.70	2393.82	-----	518.01
12/15/72	144.00	112.00	135.00	128.70	2393.82	-----	518.01
12/22/72	144.00	112.00	135.00	128.70	2393.82	-----	518.01
12/29/72	144.00	112.00	135.00	128.70	2393.82	-----	518.01
1/5/73	144.00	112.00	135.00	128.70	2393.82	-----	518.01
1/12/73	144.00	112.00	135.00	128.70	2393.82	-----	518.01
1/19/73**	165.00	115.00	140.00	140.00	2604.00	210.18	728.19
1/26/73	178.00	120.00	152.00	149.90	2785.14	181.14	909.33
2/2/73	190.00	125.00	165.00	156.95	2918.27	133.13	1042.37
2/9/73	190.00	130.00	175.00	161.50	3003.90	85.63	1128.00
2/16/73	195.00	130.00	175.00	163.75	3045.75	41.85	1169.85
2/23/73	200.00	130.00	175.00	166.00	3087.60	41.85	1211.70
3/2/73	195.00	130.00	170.00	163.25	3046.45	(51.15)	1160.55
3/9/73	195.00	130.00	170.00	163.25	3046.45	-----	1160.55
3/16/73	195.00	135.00	167.00	165.20	3072.72	36.27	1196.82
3/23/73	195.00	135.00	167.00	165.20	3072.72	-----	1196.82
3/30/73	200.00	135.00	167.00	167.45	3114.57	41.85	1238.67
4/6/73	200.00	135.00	167.00	167.45	3114.57	41.85	1280.52

* Government restriction placed on lumber prices.

** Three 3 price controls in effect.

STATEMENT OF MICHAEL L. ZIEMAN, ASSISTANT STANDARDS DIRECTOR,
TRAILER COACH ASSOCIATION

Purpose.—This written testimony is submitted to the Senate Subcommittee on International Finance to apprise subcommittee members of: 1. The position of the Trailer Coach Association on S. 1033. 2. The lumber products recent sharp price increase effect on the mobile home and recreation vehicle industries and the consumers of our products.

Interest of Trailer Coach Association (TCA).—TCA is a non-profit trade association representing the manufacturers, suppliers and dealers of mobile homes in the 12 western states and the manufacturers, suppliers and dealers of recreation vehicles (motor homes, travel trailers, truck campers, etc.) nationwide.

Summary.—TCA supports the swift passage of S 1033. However, in light of the recent sharp price increases for wood products, and the fact that S. 1033, if passed today, would likely have no effect on prices until some time after January 1, 1974, we do strongly urge further action in this matter. Because the recent sharp price increases for wood products have, to a large degree, been artificially created, we strongly believe that an artificial means to control price (such as mandatory price controls using January, 1973 as the base month) is not only necessary for the good of the general public and all industries dependent upon wood products, but certainly is justified.

Discussion.—The mobile home and recreation vehicle industries combined represent one of the largest consumers of wood products in the country. Nationwide in 1972, 600,000 mobile homes were produced representing 25% of all housing starts. For the same year, 729,000 recreation vehicles were manufactured.

The following approximates the quantities of the four major wood products consumed by our industry in 1972:

	Mobile homes	Recreation vehicles (million)	Total
1. Softwood-plywood ($\frac{1}{2}$ in basis) square feet.....	240 million.....	365	565 million.
2. Lumber; board feet.....	1.44 billion.....	292	1.73 billion.
3. Particle board ($\frac{3}{4}$ in basis) square feet.....	540 million.....	12	552 million.
4. Hardwood paneling ($\frac{3}{32}$ in basis) square feet.....	1.2 billion.....	178	1.3 billion.

The cost for most wood products used in construction has literally "shot through the ceiling" during the past year, and there is no relief in sight.

The following examples represent just a few of the actual cases reported to TCA by some of our member manufacturers and will serve to illustrate the magnitude of the price increases.

LUMBER PRICE PER UNIT

Dimension	April 1972	October 1972	April 1973	Percentage of increase
1 by 2 in.....	140	145	235	63
2 by 4 in.....	130	165	185	36
2 by 2 in.....		155	205	38
2 by 6 in.....	125	150	235	81
2 by 8 in.....		161	257	57

SOFTWOOD-PLYWOOD

$\frac{1}{4}$ in by 4 by 8 ft.....	77	85	144	87
$\frac{3}{8}$ in by 4 by 8 ft.....	170		307	81
$\frac{1}{2}$ in by 4 by 8 ft.....	200	190	355	87
$\frac{3}{4}$ in by 4 by 8 ft.....	175	225	330	89

HARDWOOD PANELING

$\frac{3}{32}$ in by 4 by 8 ft.....	70	100	140	100
-------------------------------------	----	-----	-----	-----

The above examples *do not* represent extremes. In some cases, prices have jumped as much as 150% during the past year!

The higher lumber and plywood prices are 80% responsible for what is rapidly becoming an average 5% increase nationwide in the cost of our industry's products. In the case of mobile homes, this means an increased cost to the consumer of \$200 to \$550. When we consider the fact that over 95% of all single-family dwellings sold in 1972 for under \$15,000 were mobile homes, we wonder to what degree this forced price increase will have an effect on the moderate and low-income individual's ability to purchase low-cost, non-subsidized housing. Certainly it can do nothing but deter this economic class of individual from owning his own home.

The higher lumber and plywood prices mean higher cost for all forms of housing. This in turn means more pressure will be applied to members of Congress to provide subsidized housing. Speaking as one individual who does not believe government should subsidize housing, I feel Congress must take *immediate* action to reverse the artificially high price of lumber and plywood.

The increased cost of lumber and plywood has had a drastic effect on recreation vehicle manufacturers as illustrated in the following quotes from two such manufacturers: "The finished product's cost increase due to the tremendous increase in lumber and plywood is averaging \$86.00 per unit. This is an overall average. Some units have risen as high as \$103.00." "We raised our prices for the first time in three years on March 1, 1973 due to recent increases in wood and wood products along with other material increases. We have increased the cost of our products about \$33.00 which does not actually cover the current wood materials cost per unit and we see now that we must add another increase in April to stay in business."

Not only are prices becoming ridiculous, but availability is becoming a critical factor. Historically, a buyer could, in the past, receive guaranteed quotes on lumber purchases up to 6 months if desired. This was gradually reduced to 3 months. Now price quotes are issued on a day-to-day basis and with no guarantee of material availability. I quote from one manufacturer of mobile homes: "Poor availability of lumber and plywood has forced us to: 1. purchase a higher grade of lumber and plywood than called for in our specifications. 2. overstock material at exorbitant prices to forestall an assembly-line stoppage. 3. undergo structural changes necessitated by plywood mills discontinuing production of material."

The Trailer Coach Association does not pretend to be an expert in the areas of timber production, saw mills capacity, etc.

However, it seems obvious to us that the recent sharp price increases for lumber and plywood (averaging 50% to 90% in the past 6 months) have been artificially created. We would ask one simple question of the entire forest products industry: What cost increases have you experienced in the past six months in your operation that have caused you to pass on to all purchasers of your products a 50% to 90% price increase? Does it cost 50% more to grow and cut a tree today than it did 6 months ago? Does it cost 50% more today than it did six months ago to process timber into lumber and plywood and transport it to the end users? It appears obvious to us that the answer to our last two questions is no. Why then the sudden price increases?

We believe S. 1033, if passed, today would have no effect on lumber and plywood prices until some time after January 1, 1974. Though we support S. 1033, in light of the above facts, the projected increases in price and non-availability of many grades and dimensions we strongly urge and would support any reasonable form of *immediate action* (including a price freeze on lumber and plywood) that would halt the price spiral and begin to reduce prices to a reasonable level.

If the present trend is not reversed, all industries dependent upon wood products will be in serious trouble.

This industry through remedial substitution, can and will, with its multitudinous engineering capabilities on a product development crash program basis, correct the sins that are being committed against its effort to alleviate the housing shortage needs of our nation and provide needed low-cost recreation vehicles for public use and enjoyment. Such efforts have already begun in our industry, but in the meantime, the general public suffers the higher cost of all products dependent upon materials derived from timber.

SOUTHEASTERN LUMBER MANUFACTURERS ASSOCIATION,
College Park, Ga., April 4, 1973.

Senator ALAN CRANSTON,
Senate Banking, Housing, and Urban Affairs Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR CRANSTON: Mr. R. B. Jordan, III has requested that I furnish you with information as to the number of small business lumber manufacturing plants which have closed in the Southeast during the last ten years. It is our understanding that this request was made of Mr. Jordan during a recent hearing in which he participated on behalf of this Association.

In checking the information we have available, we are able to determine that there has been a considerable number of mill closures in the South during this ten year period. We have information covering the states of South Carolina, Georgia and Alabama and they are as follows:

South Carolina—In 1958 there were 594 sawmills operating and in 1968 only 254 were operating.

Georgia—In 1965 there were 393 sawmills operating and in 1971 only 296 were operating.

Alabama—In 1962 there were 555 sawmills operating and in 1971 only 323 were operating.

It would be safe to assume that over 90 percent of those mills which have gone out of business were small business enterprises. We are disappointed that we cannot furnish you with the exact information on all of our states or information which is up-to-date, but do believe that the trend represented in these figures continues to the present time.

Sincerely yours,

JOHN C. MILLINER, Jr.,
Executive Vice President.

WEST COAST FOREST CONSULTANTS,
Oakland, Calif., April 19, 1973.

Senator ROBERT PACKWOOD,
U.S. Senate Office Building,
Washington, D.C.

DEAR SENATOR PACKWOOD: I was delighted to have the opportunity to meet you, however briefly, in San Francisco when you held hearings into the possibilities of a log export ban.

As Forest Consultants, the spiraling costs of timber are a short-term windfall to us because our fees usually are based upon a percentage of the timber cut. However, we recognize the long-term danger to the forest industry in California if factors contributing to these astronomical price increases are not curbed and eliminated. It has been our experience in the past few months that small landowners are cutting far more timber than they otherwise would cut because of the huge profits involved, thus endangering future yield from the forests of the Pacific Northwest. It has also been our experience these past few months that loggers representing Japanese interests can afford to bid sales up past what local loggers and timber processors can possibly afford to pay—a factor which endangers the entire logging industry in California and other Western states.

West Coast Forest Consultants has been working closely with Assemblyman Ken Meade regarding the proposed sale of land with 100mm board feet of timber owned by PG&E to a major Northern California log exporter. I am forwarding copies of his preliminary work to you as an illustration of a concrete case in which the economy and ecological consideration of a substantial area have been abrogated for considerations of greater profit for a publicly-owned corporation. Any support you can give us in this matter will be greatly appreciated. If there is any information which you might require on this particular subject, or other aspects of the current logging crisis in California, we will do our best to supply it.

Thank you again for your attention to the overall problem of log exports and its threat to the forests and dependent industries in the Western states.

Sincerely yours,

LYNN M. SUTER.

P G AND E NEWS BUREAU,
San Francisco, Calif., February 12, 1973.

PG&E, YUBA LUMBER AGREE TO LAND SWAP

Pacific Gas and Electric Company has agreed to exchange approximately 17,000 acres of land and timber in Placer and Nevada counties with the Yuba River Lumber Company of Grass Valley for lands to be designated by PG&E. The exchange value was not announced.

Under the agreement, which is now in escrow, PG&E will transfer title to 59 parcels of land in the American-Rubicon River region in the vicinity of Loon Lake and Hell Hole Reservoir to the Yuba River Lumber Company. The property exchanges will take place over a three year period.

The 17,052 acres in the 59 parcels contain an estimated 92 million board feet of California's five major timber species, including pine, cedar and fir.

Nolan H. Daines, manager of PG&E's Land Department in San Francisco, said the land had been declared surplus to PG&E's operations. The company will retain water and mineral rights on all of the parcels, he said.

Yuba River Lumber Company's harvesting operations will be governed by California Forestry Practices Rules and in accordance with best forestry and land management practices and similar area operations, spokesmen for both companies said.

involved will be processed on the domestic market in local mills served by power facilities of PG&E. In light of the public's negative reaction to the increased export of California's limited forest products, we feel it imperative for PG&E to take into account the long range effects of our intention to continue to provide the local labor market with a continued supply of job oppor-

The following two paragraphs are excerpted in their entirety from a letter to PG&E's land Department from a senior officer of the DiGiorgio Corporation:

"It has been DiGiorgio's position to meet and exceed all of PG&E's requirements with regard to economic and public relations considerations. We feel it important for PG&E to fully realize that all timber harvested from the lands tunities and not to export any of the natural resources involved in this project.

"Our negotiations with PG&E have been coupled with extensive conversations with representatives of the U.S. Government and it is our intent to eventually return all lands involved to the Federal Government. It is our understanding that this concurs with the wishes of PG&E and the counties involved."

FEBRUARY 14, 1973.

From : Ken Meade, assemblyman 16th district.

Re: PG&E land exchange, Placer and El Dorado Counties.

1. PG&E has agreed to exchange 17,000 acres of prime watershed land on the American and Rubicon Rivers containing 100 million board feet of timber to the Yuba River Lumber Company, a major exporter of sawlogs to the Japanese.

2. Yuba River Lumber Company has signed with the Port of Sacramento to export a minimum of 100 million board feet of timber on a five year contract.

3. PG&E placed no restrictions on the sale regarding either the disposition of the timber or the final disposition of the land.

4. PG&E received at least one other bid placing voluntary restrictions on the sale by a major domestic processor; i.e. that all timber harvested would be processed on the domestic market, utilizing local labor, and that the harvested land would eventually be returned to the federal government.

5. The Western Timber Association, National Association of Homebuilders, building trades, and other business and labor interests have expressed recent and repeated alarm at the export of sawlogs to Japan.

I feel the following questions should be posed to PG&E before the above-referenced sale is completed, and will appreciate your attention in having your offices immediately contact that company:

1. What is PG&E's policy regarding the disposition (foreign or domestic) of timber on their lands in general, and this prime land in specific?

2. What is PG&E's policy regarding the return of their watershed lands to the federal government?

3. Why were no restrictions placed on the sale when the American-Rubicon River land was offered to bid?

4. Why, given the self-imposed restrictions offered by a major domestic timber processor, did PG&E accept the unrestricted bid of a major sawlog exporter?

These questions may be directed to any or all of the following PG&E employees at 415-781-4211: Mr. John Bonner, President; Mr. Robert Oliver, Land Dept.; Mr. Nolan Daines, Mgr., Land Dept.; Mr. Jack Cameron, PG&E Company Forester.

Thank you for your support and assistance in this matter.

ASSEMBLY, CALIFORNIA LEGISLATURE,
February 12, 1973.

Mr. JOHN BONNER,
President, Pacific Gas and Electric Co.,
San Francisco, Calif.

DEAR MR. BONNER: In response to increasing fears by businessmen, building trades, labor and concerned citizens regarding the dissipation and divergence of California's natural resources into foreign markets, I am inquiring into the status of certain timberlands recently offered for sale by the Pacific Gas and Electric Company to selected bidders.

I understand that P.G. & E. is presently negotiating the sale of 17,000 acres of prime watershed land in Placer and El Dorado Counties with 20 miles of frontage on the American and Rubicon Rivers and containing an estimated 100 million board feet of timber, without regard to considerations other than the total dollar amount that is to be paid to the Pacific Gas & Electric Company.

It is also my understanding that the highest bidder was the Yuba River Lumber Company and that serious consideration is being given to awarding them the sale. According to a recent article in the *Sacramento Bee*, Yuba River Lumber Company has negotiated with Japanese interests for the export of a minimum of 100 million board feet of timber under a five-year contract. I find this alarmingly coincidental which can only be interpreted in effect as a sale of our valuable irreplaceable timber resources to foreign markets by a major public utility. Such a situation would seem to violate the public trust and responsibility incumbent upon P.G. & E. to maintain in its special position of serving the public interest.

Since other bidders have, in letters to P.G. & E. voluntarily restricted the disposition of harvested timber to processing on the domestic market in local mills served by P.G. & E. and utilizing local labor forces, and furthermore have stated their willingness to eventually return the harvested lands to federal government control, I would ask that you clarify for me the apparent discrepancy in the policy suggested by the above consideration with your required position as a guardian of the public interest.

Thank you for your attention and consideration. I look forward to hearing from you soon.

Sincerely,

KEN MEADE, *Assemblyman*.

PORT OF SACRAMENTO,
WORLD TRADE CENTER,
West Sacramento, Calif., November 27, 1972.

LOGS MOVE AGAIN AT PORT OF SACRAMENTO

The M.S. MONTIGNY berthed at the Port of Sacramento last week to receive logs following an eight-month lapse in timber shipments over Sacramento docks.

Yuba River Lumber Company of Grass Valley has inked a 5-year pact with the Port to move an annual minimum of 20-million board feet through Sacramento.

A downturn in the Japanese economy earlier this year had been cited as the reason behind the lack of Sacramento log movements. In the peak year of 1969, over 330,000 tons were shipped through the inland port, primarily to Japan.

The Liberian flag MONTIGNY loaded 5,000 tons for Japan. Nippi International of Sacramento is the trading firm purchasing the logs.

WTA BOARD ASKS ELIMINATION OF EXPORT AUTHORIZATION FOR FEDERAL TIMBER AND PREVENTION OF SUBSTITUTION FOR EXPORTED NON-FEDERAL TIMBER. CONGRESSMAN DON CLAUSEN ALSO ASKED TO HELP

WESTERN TIMBER ASSOCIATION,
San Francisco, Calif., February 3, 1973.

HON. HAROLD T. JOHNSON,
House Office Building,
Washington, D.C.

DEAR BIZZ: You have been most helpful in past efforts to prevent the export of Federal timber to Japan. We need your help again.

With the "Morse Amendment" in 1968, 16 U.S.C. 616 was changed to provide that for each year, 1968 to 1972 inclusive, not more than 350 million board feet of unprocessed timber may be sold for export from Federal lands west of the 100th meridian, unless specific species and quantities were found to be surplus to domestic needs. Further provision was made for regulations to prevent the substitution of Federal timber for exported non-federal timber. Such regulations have never been promulgated. Subsequently, Congress continued limitations to the end of 1973 under the Housing and Urban Development Act of 1970.

Increased domestic needs for construction materials justify the elimination of the present authorization to export 350 million board feet of Federal timber and the enactment of legislation to prevent substitution of Federal timber for exported non-federal timber. This was the unanimous conclusion of Western Timber Association's Board of Directors in a special meeting held yesterday to consider this problem.

I expect to be in Washington D.C. on February 14-15 and would appreciate an opportunity to discuss with you or your staff what can be done to get legislation before July 1973. We need a strong and enforceable anti-substitution provision and the elimination of the 350 million board feet export authorization. The livelihood of many Northern Californians are involved as well as many Americans seeking suitable housing.

Sincerely,

GEORGE A. CRAIG,
Executive Vice President.

WICKES FOREST INDUSTRIES,
Dinuba, Calif., April 2, 1973.

SUBCOMMITTEE ON INTERNATIONAL FINANCE,
Dirksen Senate Office Building,
Washington, D.C.

-GENTLEMEN: Bill S. 1033 in the Senate Committee on Banking, Housing, and Urban Affairs, to amend the Export Administration Act of 1969, and to control the export of timber from the United States has been given our careful study.

While we recognize the need for restraint on excessive log exports, we believe that such restrictions should be limited to Forest Service and Bureau of Land Management timber without the throttling effect that S. 1033 would have against private ownership of timber. Timber export controls for private investment is a further blow to weaken the foundation of our country's system of free enterprise and its privilege of making a reasonable profit within the ground rules of ethical business practices. The Act strikes not alone at the rights of Industry but also at the Constitution granted privilege of private ownership. To do otherwise is a restraint on our cherished tradition of free trade. It was private enterprise's innovation and efficient technology which enhanced America's reforestation development on non-Federal lands. The new forests that far seeing companies initiated and are creating, in spite of a low after-tax return on investment, have become the raw material source for log exports.

But there are additional serious and immediate considerations that point up negative results which would occur by the passage of this Bill. With the cessation of log exports from the United States, foreign buyers would turn to Canada to supply their needs, with a resultant reduction of lumber imports into the United States. Because Canada is a significant supplier of lumber for this country, its lumber production helps materially to alleviate our current domestic shortage for shelter construction. If Canadian lumber imports were reduced, prices would rise above their present high levels.

Proponents of the timber export ban emphasize that the retained timber will increase log volumes for lumber production. But they do not acknowledge the real reason for log shortages, if indeed a shortage does exist for our existing sawmills. The crippling slowdown of timber sales put up by the Forest Service is the fundamental cause of alleged short saw timber supply. Because of pressures by the environmentalists, needed timber from the nation's largest landholder, the United States Government, is not permitted to flow out to the market, and it is this withholding of raw material which has caused the severe domestic shortage of softwood lumber and plywood. Companies with their own timber holdings produce at capacity but many of the smaller sized sawmills cannot run at full production during this period of domestic log shortage. This is because Forest Service timber is not made available for them, even though Forest Service timber cannot, unless specifically exempt, be exported under the Export Administration Act of 1969. The freeing of Forest Service timber would eliminate the current lumber shortage while continuing log exports would, at the same time, help produce a favorable balance of trade at a critical time of the Dollar's valuation abroad. A steady supply of logs from government controlled forests would, in fact, create new mills and increase the domestic lumber available for housing—at a decrease in cost. The economic threat to communities and the threat of unemployment originates with the forest management practices of the Forest Service and its retention of vast timber resources, which suffer degradation by the inroads of disease and over-maturity.

In light of the rationale expressed above, we look with disfavor at Senate Bill S. 1033 and ask that it does not receive favorable consideration.

ARTHUR C. HALL, *General Manager.*

STATEMENT OF BERNARD B. BARBER, JR., EXECUTIVE SECRETARY, WOODWORK
INSTITUTE OF CALIFORNIA

Members of the Woodwork Institute of California are engaged in the fabrication of architectural woodwork products for institutions such as schools, hospitals, courthouses, churches, office buildings, banks, savings and loan associations, restaurants and occasional large residences under long-term, fixed-price contracts that extend for periods of up to three years.

I have also been authorized to express the views of the Southern California Cabinet Manufacturers Association, whose members are engaged primarily in the fabrication of residential type cabinets and casework.

While the members of these two organizations are located in the state of California, the same problem exists for similar types of firms throughout the entire United States. These firms are primarily small organizations and they cannot afford to buy and do not have facilities to store raw materials well in advance of the re-manufacturing and delivery date.

Phase II controls were not working to slow down inflation in the lumber and plywood industry, as illustrated by one item that is used extensively by our members. On August 15, 1971, the market price for $\frac{3}{4}$ " Grade AD sanded plywood was \$167 per M square feet. On January 12, 1973, it was \$217—an increase of 30%. This information is taken from Lumber Market Reporting Services. As of the latest information available to us, the price is now \$387, or a 78% gain since January 11, 1973, and a 132% gain since the inception of the Economic Stabilization Program.

Historically, the price of $\frac{3}{4}$ " sanded plywood has fluctuated over the period of a year, but never in the history of the industry, including periods of floods, strikes and the housing boom of 1968 and 1969, has anything occurred remotely similar to the situation that presently exists. Our members are faced with the problem of selling jobs at Phase I and Phase II prices that now have to be supplied at costs which will exceed their total selling price—a situation which obviously will bankrupt some firms.

They also have an additional problem of attempting to bid for future projects and find that their suppliers now will only quote "Price at Time of Shipment," which is absolutely no help in trying to prepare a bid.

On January 26, 1973, the situation facing our members was so critical that the Board of Directors passed a resolution requesting that President Nixon take the following action:

1. Immediately place an embargo on the sale for export of all logs and lumber products.

2. Immediately place specific dollar and cents price controls on all lumber and plywood products on an item by item basis.

3. Immediately require the Forest Service to offer more federally owned timber for sale for domestic use only.

Since that date the situation has continually deteriorated, and it is unfortunate for the construction industry and the public that some action has not been taken. On March 29, 1973, the Board of Directors reaffirmed the above resolution. We believe that the only purpose of the Cost of Living Council is to control inflation, which it certainly is not doing in this industry.

During the year 1972, 2.78 billion board feet of logs were exported. This was slightly more than a 40% gain over 1971 and established a new record high, and the rate of exported logs has continued to increase so far this year to what would appear to be a 4½ billion feet rate. Since the United States imports more dollar value of lumber from Canada than the dollar value of logs exported to Japan, it would appear that present policy is not materially helping the "balance of payments" problem, but is materially affecting the supply of logs available for use in this country. The fact that we are exporting raw material (logs) and importing manufactured items (lumber) is another facet of the situation and seems to be in direct contradiction to good fiscal management and indeed good sense. To quote the Seattle Times: "Any nation or region of a nation which exports in unprocessed form its basic resources is selling off its life's blood."

President Nixon has authority to impose an immediate embargo under the present law, but apparently is reluctant to do so. While I believe S-1033 under consideration by this committee would be a very constructive measure, it would not immediately help the current shortage, as it would not take effect until next year and possibly would only result in increasing buying on the part of the Japanese in order to acquire as much timber as possible before the embargo would take effect. I believe a temporary embargo on the sale of logs and lumber for export is required and would as a result reduce the prices paid for logs and ultimately the prices paid for lumber and plywood.

A recent survey by the northwest area National Association of Home Builders showed that 102 sawmills and 30 plywood plants in the western area could boost their production by 148 million board feet a month if they had the logs. This partial survey obviously indicates there is adequate capacity available if the logs were available.

Log exports are continuing to increase in 1973 over 1972 by the following amounts: February, 1973, 226.7 million board feet as compared with 88.7 million board feet shipped in February, 1972. Exports during the first two months of 1973 totaled 444.4 million board feet compared to 241.7 million board feet shipped during the same period last year from the four Pacific Coast states. Sales from California alone have also increased over the previous year and recently M. Takahashi, general manager of Nippi Int. Co. of Sacramento announced "... we have decided to increase our log movements (at the Port of Stockton) more than 200% this year." It is obvious that an immediate embargo on all logs and lumber products is necessary to curtail the inflation in this industry.

If some action is not taken immediately, the construction industry and the general public will be on a collision course with disaster. Some members of certain segments of the construction industry are going to be forced into bankruptcy, and consumers will be required to pay such a tremendously inflated price for their construction requirements that they will not be able to afford them.

Due to the lack of action by the administration, shortages of many types of lumber and plywood exist today that are causing delays and additional expense on construction projects. Also, the recent price escalation has caused many suppliers to quote only "Price at Time of Shipment"—an impossible situation in preparing a bid for future work.

In conclusion, we support the intent of this bill, S-1033, but feel it should be amended to include an immediate, temporary embargo until the supply situation is corrected.